

JPRS-EEI-84-058

18 May 1984

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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18 May 1984

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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TRENDS, COSTS OF CEMA ENERGY IMPORTS FROM USSR ANALYZED

Warsaw TRYBUNA LUDU in Polish 13 Mar 84 p 6

[Article by Stanislaw Hlodzik: "The Fuel and Energy Market"]

[Text] One of the conditions for a national economy to function normally is delivery of energy sources. CEMA countries profit significantly from long-term agreements guaranteeing Soviet imports of raw energy sources, primarily crude oil, petroleum products, natural gas, solid fuels, and supplies of electrical power.

Still another specific kind of energy expert is being put into effect. Within a framework of bilateral agreements with particular CEMA countries, the USSR is developing production in energy-intensive branches for its economic partners (e.g., smelting aluminum from Hungarian bauxite). The remaining countries specialize in the manufacture of products whose production does not require much energy.

The structure of Soviet export of energy sources to CEMA countries is, in its way, a reflection of the energy development processes in the USSR. The production of natural gas has been rising dramatically in the USSR during the last decade. First of all, this is dictated by the size of resources of this staple, which is estimated at 50 percent of the world's supply. They can be exploited for 300 years. On the other hand, supplies of crude oil, even without a significant increase in production, guarantee the satisfaction of needs for 100 and no more than 150 years. Second, investments made in the production of natural gas are very profitable. During the last few years, an investment of 1 billion rubles permitted an increase in the level of annual natural gas production equal to 18 million tons of conventional fuel. This same 1 billion ruble investment in the protection of crude oil guaranteed an increase in the order of 2.5 million tons p.u.

Also, for that reason, the portion of natural gas in Soviet exports of hydrocarbon fuels to CEMA countries (Bulgaria, CSSR, GDR, Poland and Hungary) increased from 5.5 percent in 1970 to 11 percent in 1975, and 23 percent in 1982. The agreement made not long ago concerning the construction of a gas line from Kobrin to Warsaw and Pulawy is an expression of this trend.

The development of nuclear power is also given priority in the USSR. Large atomic power plants are being built--up to 4,000 megawatts of power recently--and on an annual basis each 1,000 megawatts takes the place of 2 million tons of hard coal used, or the production results of an average-size coal mine. Such power is envisioned for Poland from the Khmel'nitskiy Atomic Power Plant which has been built. Besides, the cost of constructing such an energy complex equal to the size of a large power plant is considerably lower than the cost of building a separate power plant which, in addition, would pollute the natural environment on the territory of our country. In addition, hauling fuel would be a burden on transport.

The share of imported fuel and energy sources from the USSR to CEMA countries rose at a rapid rate.

Share of Imported Fuel and Energy Sources From the USSR by CEMA Countries  
(in percentages)

<u>Country</u>	<u>1975</u>	<u>1978</u>	<u>1982</u>
Bulgaria	31	37	50
CSSR	34	42	60
GDR	22	32	51
Poland	26	32	51
Hungary	26	35	47

The figures tend to be almost identical. The higher figure in the case of Czechoslovakia can be based on the pipelines which pass through the territory of this country from the USSR to Western Europe by virtue of which Czechoslovakia obtains large payments, paid in part with the fuel being transported. In the past, Poland did not express an interest in the proposal to conduct a gas line through our territory, entertaining at one time a hope of discovering our own large deposits of natural gas.

The all-out increase in deliveries influenced the growth of the share of fuel and energy sources in the imports of individual countries. In the period 1970-1978 the amount of fuel imported by the European countries of CEMA doubled and the main supplier of fuel--for some countries practically the only one--was the USSR. For example, in the GDR the import of crude oil and petroleum products increased from 10.5 million tons in 1970 to 20.1 million tons in 1978 and 23 million tons in 1981. In Poland it increased from 9.4 million tons in 1970 to 17.5 million tons in 1981. During the period in question, world fuel prices rose significantly, as well, which is being reflected gradually in the prices employed among CEMA countries. Therefore, by virtue of doubling the amount of crude oil purchased in 1970-1978, the expenditures of individual CEMA countries increased sevenfold.

A continued growth in the share of fuel in the imports of CEMA countries would complicate their ability to pay to a great extent. Under these circumstances, a system of energy-related ventures which intends to limit the energy-intensive nature of the national economy has become a necessity. It determines the main course of action of each CEMA country's economy.

However, the situation of the Polish economy in this matter is distinctive. The foundation of Poland's still energy-intensive industry is more poorly developed. In 1982 we produced 3,246 kWh of electrical energy per inhabitant and imported 8 kWh from the USSR. On the other hand, 6,150 kWh per inhabitant were produced in the GDR and imports from the USSR increased this number by 110 kWh.

Correspondingly, in Czechoslovakia it was 4,861 plus 150 kWh, in Bulgaria it was 4,535 plus 500 kWh, and in Hungary it was 2,231 plus 700 kWh from Soviet imports.

The overcoming of the crisis will generate an increased need for electrical energy in Poland while the remaining CEMA countries which are satisfied, relatively speaking, in energy resources are in a position to profit from growth in industrial production by means of a more rational utilization of an already high rate of electrical energy consumption. The construction of the Khmelnitskiy Atomic Power Plant in the USSR will increase deliveries to Poland by about 170 kWh per inhabitant and by 230 kWh for Hungary and the CSSR.

Calculating per inhabitant, Poland imported about 70 rubles' worth of fuel and energy from the USSR in 1982, Hungary 160 rubles' worth, GDR 195 rubles' worth, CSSR 200 rubles' worth, and Bulgaria 275 rubles' worth. The point is that the remaining countries expanded their trade relations with their Soviet partner at a significantly greater rate. In 1982, the amount of goods Poland traded with the USSR came to about 250 rubles per inhabitant, Czechoslovakia 640 rubles, Hungary 700 rubles, and Bulgaria 1,040 rubles.

Activating a trade of goods with our Soviet partner will create an opportunity for profit from greater quantities of fuel for our country and, considering the current situation, it would be primarily in the way of natural gas. Also anxious to acquire this fuel is the GDR, which in spite of the serious labor shortage it is experiencing sends youth brigades for the construction of Siberian gas lines, or specializes in the production of appropriate equipment for pipelines, including compression stations equal in power to those embargoed by the United States.

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CSO: 2600/840

## ROLE, CHANGES IN PRICE STRUCTURES EXAMINED

Sofia NOVO VREME in Bulgarian No 3, 1984 pp 28-37

[Article by Dr of Economic Sciences Senior Scientific Association Belcho Ilev: "Role of Prices in Enhancing Technical Standards and Upgrading the Quality of Goods"]

[Text] By quality and technical standard of a commodity we usually mean the sum total of its useful properties considered in terms of the requirements of its purchaser. Quality is directly related to the consumer value of the commodity, for which reason it is a technical category. However, to the extent to which the consumer value of the commodity is also that of the customer, in order for the latter to appropriate it he must restore its value in terms of money. That is why quality is not only a technical but an economic category as well.

The growth of the quality indicators of a given commodity may be accompanied by both the growth and the preservation and even the diminution of its value. This depends on the development of scientific and technical progress and its timely application in the production process. Quality changes in one area may result in changes in outlays elsewhere. An enhancement of the technical standard of labor tools and the quality of labor objects would reduce both materials and labor use for the produced commodities.

This means that the tie between the quality and the technical standard of commodities and their prices is not direct but rather complex and indirect and should not be simplified in theory and even less so in practice. The main work aimed at upgrading quality is done by the economic organizations and their collectives which create the goods. This circumstance demands the creation of a material incentive for the collectives themselves and the individual working people in upgrading the quality of the goods with the help of the economic mechanism for managing the economy. In our country, this problem has still not been adequately resolved. This has led Comrade T. Zhivkov to point out as the first reason for the unsatisfactory condition of the quality of our output that "the problem of quality still leaves unaffected the main interests of the producers--of the labor collectives themselves."<sup>1</sup>

The enhancement of the technical standard and the quality of goods is a means of accelerating economic intensification and, in the final account, upgrading the efficiency of the economy. That is why the role of prices, retail prices in particular, should be considered comprehensively and not only in terms of

quality as a specific problem. This is because if prices do not determine exactly the level of production intensification, do not properly serve cost accounting and its most important requirements of self-support and profitability, and if they do not sufficiently help to determine the end results of economic activities, for which reason they hinder the combination of social with collective and individual interests, they would be unable to develop incentives aimed at improving the quality of the goods regardless of how directly we relate them to this quality.

As the owner of the productive capital, society finds the objectives, tasks and labor conditions the manager, represented by the economic organization and its collective, through a system of mandatory plan indicators, ceilings and norms. Wholesale prices are one of the very important such norms. In addition to being an autonomous norm they are also the foundation of virtually all plan indicators, ceilings and norms.

For example, the quantity of the goods marketed, expressed in terms of value, depends on both the quantity and quality of the goods produced and the level of wholesale prices at which they are marketed. The amount of profit depends both on reducing production costs and the selling prices. Labor productivity depends on the volume of output which, in turn, is affected by the price, and so on. Consequently, the scientific substantiation of plan indicators, ceilings and norms largely depends on the scientific substantiation of prices. If wholesale prices are improperly set the remaining indicators become inaccurate. The results of the activities of the economic organization are reported inaccurately, results which are the criteria in assessing and encouraging such activities. All of this results in an inadequate combination of social with collective material interests and a slowdown in economic development.

Wholesale prices are an important planned norm which materially interests the economic organizations in reducing labor and material expenditures which, in turn, leads to the development of technical progress and the related enhancement of the technical standard and quality of the goods, higher social labor productivity and so on.

By setting the wholesale price of a specific commodity on the basis of the requirements of the law of value, society indicates the amount of labor it acknowledges as socially necessary at a given stage in the production of said commodity. The economic organization is interested not only in remaining within the framework of such expenditures but in reducing them as well. The greater its successes in this respect the greater will be its profits and profitability and, by virtue of the economic mechanism, the more funds it will have for material incentive.

A properly set wholesale price contributes to the good organization of production, creates normal stress in the collective and thus helps to upgrade production efficiency. An improperly set (increased or reduced) wholesale price makes plan indicators unrealistic and weakens the material incentive of collectives.

As we may see, one of the basic requirements regarding wholesale prices is to reflect the socially necessary labor expenditures invested in commodity production in order to ensure the equivalent exchange among commodity producers,



determine precisely the end results of economic activities and thus, together with the other economic levers, to combine public with collective and personal material incentives. Such prices will contribute most fully to upgrading the quality and technical standards of the goods as well.

The existing system of wholesale prices is the system which was enacted for agriculture at the beginning of 1981 and for the remaining economic sectors at the beginning of 1982.

New wholesale prices, based on the so-called "international type of prices," were introduced starting with the beginning of 1980. Essentially this was an automatic transfer of the levels and ratios of international prices to the country. These wholesale prices proved to be very inconsistent with the actual socially necessary labor outlays of our commodity producers. In some cases, as in animal husbandry, they barely covered one-third of production costs. In order for the reproduction process to take place, some of these expenditures had to be covered through subsidies. The great and disparate deviation of prices from domestic commodity values necessitated a complex multiple-stage system of subsidies. For many commodities the subsidies were higher than wholesale prices.

Practical experience very quickly proved the groundlessness of this type of prices and their unsuitability in terms of the new economic mechanism. In his report to the 24 October 1981 conference with the party and state aktiv, Comrade Todor Zhivkov asked: "Why does the new economic approach not operate today at full strength? First of all, because the economic organizations and enterprises are not allowed the right to engage in commercial activities. Secondly, the question of factory-plant prices has not been resolved...."<sup>2</sup>

In his report at the instruction conference on the economic mechanism of 13 January 1982, in defining the reasons for which the economic mechanism had to be improved, Comrade Grisha Filipov pointed out that "the new wholesale prices were not set consistent with the nature of socialist commodity-monetary relations."<sup>3</sup>

These quotes prove that the wholesale price system, which became effective in 1980, is being rejected as unsuitable. Indeed, the price system, which was the reason for the failure of the economic approach and its mechanism to operate at full capacity, and which is inconsistent with the nature of socialist commodity-monetary relations, has no right to exist.

The thus-existing wholesale prices were amended for agriculture starting with 1981 and for the other sectors starting with 1982. The main task was for all commodities which were losing in accordance with the old prices to show a minimal profit through the new prices (3-5 percent). The result was that a relatively high percentage of commodity groups were being sold with minimal profits, which are extremely insufficient in order to add to the assets of the economic organizations and to provide the necessary enterprise funds for production intensification. This is one of the main shortcomings of the current price system.

The other basic shortcoming is the great differentiation in profits by commodity groups, which is the result of differentiations in the net income included in wholesale prices. Data for industry for 1982, i.e., for the first year during which the new wholesale prices were operational, indicate this great differentiation in profits. It is true that the profits are determined by two factors: the net income included in the prices and the successes of economic organizations in reducing commodity production costs. This is accurate, but the achievements of commodity producers in reducing expenditures over a 1-year period cannot be so different as to result in differences in profits of several hundred percent. That is why the great profit differentiation may be explained only in terms of the great differences in the amount of net income stipulated for the individual sectors and commodity groups.

The third basic shortcoming is the product of the first two. It is that "the impact of nonprice factors--subsidies--remains high..."<sup>4</sup> These three basic and the other shortcomings of the current wholesale price system are due to the fact that these prices were not developed through an overall reform based on uniform principles but through partial price changes which were enacted starting with 1980 on the basis of international prices. The current wholesale prices are totally inconsistent with the principles governing price-setting stipulated in the normative documents of the economic mechanism effective as of 1982.

The shortcomings of the current wholesale prices adversely affect the intensification possibilities of the individual economic organizations. The great differentiations in the net income included in the wholesale prices puts commodity producers under different economic conditions, thus creating disparate opportunities for production intensification. Economic organizations the prices of whose commodities include a higher net income find themselves in far more advantageous conditions. They collect much more easily the necessary funds for the development of technical progress, incentives and so on compared to economic organizations whose commodity prices include a lesser net income, not to mention those which are subsidized. The shortcomings of the current wholesale prices are the main reason for the change in the means of gross profit taxation. The effort to apply a proportional taxing method encountered insurmountable obstacles precisely as a result of the great differentiation in the net income included in the price. We were forced to convert to differentiated taxation, which is inconsistent with the requirements of the economic approach.

Capital investments are one of the basic levers used in the development of technical progress, being an important factor in production intensification. In order to create greater incentives within the economic organizations for the efficient investment of such funds, the new economic mechanism stipulates that capital investments consist mainly of enterprise and borrowed funds. The adopted rule is that 35 percent of capital investments must be funds of the economic organization. However, given such a strong differentiation in the net income, included in the prices, the economic organizations find themselves under very different conditions. It is one thing to acquire 35 percent of the necessary capital investments with a 30 percent net income

included in the prices and an entirely different matter to acquire such capital with a 3 percent net income. The economic organizations in whose commodity prices the net income is several hundred percent higher will have several hundred percent better opportunities for production intensification, including improving the quality and technical standards of commodities. This also indicates that prices should include an approximately identical profitability norm and that its differentiation will be reached in the course of time as a result of the better or worse work of the individual economic organizations. At that point the possibility of setting aside funds for intensive development will depend exclusively on the work of the collective of a given economic organization rather than on external factors as is currently the case.

This means that the current system of wholesale prices, given the low amount of profit which ensures for a rather substantial group of commodities and the strong differentiation in the net income included in the prices and the related system of subsidies, does not create favorable conditions for production intensification. This price system does not put the economic organizations under relatively similar conditions for intensive development, for which reason it does not sufficiently stimulate the collectives to achieve this.

In our view, such price shortcomings cannot be eliminated with one correction or another. We need an overall price reform based on the principles of the economic mechanism<sup>5</sup> and the Soviet experience in the reform of wholesale prices which was carried out in recent years.

It is only on the basis of a scientific wholesale price system, which would bring prices sufficiently close to the national socially necessary outlays of labor for commodity production that the subjective factor, represented by the price-setting bodies, could engage in one departure or another, naturally on a temporary basis and within certain limits, aimed at creating additional incentives for improving the quality and technical standards of the goods. In all other cases any deviation of prices from the value of commodities will be an arbitrary action and would violate the law of value, leading to voluntarism in price setting with all the practical consequences of this action.

The creation of new goods with higher technical standards and improved quality is very closely related to the development of scientific and technical progress and the timely utilization of its results in production. This process covers several stages: scientific development, design and engineering of the new commodities, mastering their production and their mass manufacturing and marketing. Such activities are carried out by a number of independent scientific and economic units which exchange their activities. This makes the role of price setting particularly important. The prices should be such as maximally to encourage the producers and users of the new items and each one of these stages separately. Following are some considerations in this respect.

During the first stage--scientific development--the price-setting problems are the most complex and the existing experience extremely small. The first difficulty comes from the nature of the scientific research process which



follows nontraditional ways with a high element of risk and rather uneven results by sector, subsector or commodity group. All of this creates far greater difficulties in determining the true labor outlays for individual developments compared to the material production of commodities. Furthermore, there are no precise criteria for determining that quality, i.e., the consumer value of the individual scientific development.

Regardless of existing difficulties, on the basis of both Soviet and domestic experience, the price-setting process for scientific development should be improved. The main thing, on the one hand, is to improve the method for ensuring a fuller coverage of outlays for an individual scientific development and, on the other, the net income included in the price to be directly related to the economic results from the use of said development in production. In this respect we share the definition of the price of scientific output given by Soviet authors Andreyev and Bulgakova. "The marketing price of scientific output is an economic category which reflects cost-accounting relations between the producer and consumer of a completed scientific and technical development. It is a monetary expression of the part of the economic effect obtained from the use of such output in material production going to the producer of the scientific output. The setting of such prices should be based, in our view, on the consumer value of the scientific output expressed in a monetary form and through its production outlays."<sup>6</sup>

In the second stage, which is that of designing and engineering the new commodities, price setting once again plays a main role. So-called ceiling prices are known in theory and practice. Their main task is to help to enhance efficiency in the utilization of scientific and technical progress. The ceiling price is the monetary expression of the maximally admissible material and labor outlays with which society finds it advantageous as a whole to undertake and expand the production of new commodities. It accompanies the new commodity along the entire way from idea to series production. When the commodity reaches the market, its wholesale price should be either equal to or below the ceiling price. In this manner the ceiling price will force the developers of new goods to achieve greater results not only in terms of the technical parameters of items but of lowering outlays in the production of such commodities.

A good practice had been developed in our country in terms of the use of ceiling prices, which was abandoned as a result of the introduction of international prices as a basis of domestic prices. This led to the weaknesses which Comrade T. Zhivkov noted in price-setting, i.e., to the fact that "prices of some machines are increasing faster than their productivity."<sup>7</sup> The strict observance of the requirement of setting ceiling prices and expanding their application is the way to the elimination of said shortcomings.

Bearing in mind the role of ceiling prices in the development of technical progress and the creation of commodities with higher technical standards, far greater attention should be paid to the scientific formulation of such prices. In setting ceiling prices we use the same methods as in setting wholesale prices. However, a substantial peculiarity is found here, which should be noted. Our country participates in the international division of

labor. It is specializing in the production of certain commodities and developing entire industrial subsectors. Most of the output of these specialized facilities are marketed internationally. This means that in the creation of such production facilities they must meet world standards in order to be profitable to the country. In order to achieve this, the ceiling prices of such new commodities should be on the level of international prices.

In this case it would be justified to transfer both the level and the ratio of international prices to the ceiling prices of new commodities. Such prices will require of the state and the economic organization to allocate the necessary resources for new production which should meet world standards. In future practices, therefore, the role of ceiling prices will increase and, together with them, so will the influence of international prices on domestic wholesale prices.

The third stage--mastering new production and reaching planned capacity--plays a very essential role in the utilization of scientific and technical progress. During this period, particularly by mastering in principle the production of new commodities, the economic organizations must surmount a number of difficulties. This stage is related to increased costs and a certain drop in the volume of output and so on. In this case the means of financing and crediting new commodities plays a very essential part. Society, as represented by the state and its bodies, should create the necessary favorable conditions for the painless development of this important stage.

The theoretical foundation for setting the prices of new commodities should be the differentiated value, a category discovered by K. Marx: "Generally speaking, I describe as differentiated value the difference between the market value and the individual value."<sup>8</sup>

Economic organizations which master for the first time more advanced commodities produced with a more progressive technology and a more modern labor organization will have lower expenditures than the socially necessary ones acknowledged through prices and will earn a differentiated income. Some authors describe it as differentiated scientific and technical income.<sup>9</sup>

In order for the mechanism of the differentiated value to operate under socialist conditions, the prices of new commodities should be set on the basis of scientific methods and strictly defined principles.

The prices of new commodities produced as a result of the application of scientific and technical progress should be set on the basis of expenditures and economic results of their use, industrial or nonindustrial. Prices should include only part of the effect; the other part should be left to the consumer. This can be practically accomplished either by directly computing the result of the consumption of the commodity or by setting the price through a system of markups and discounts in accordance with the rating of the commodity.

In the price setting of the commodities we must proceed from the theory of the differentiated value and set prices which would stimulate the use of

scientific and technical progress. In this case we must distinguish between two approaches: the first in changing the wholesale prices of all commodities in the course of an overall price reform, and a second in determining the prices of new commodities which have been developed in the interval between two reforms.

In our view, in an overall wholesale price reform technical progress should be reflected in the prices essentially through the socially necessary outlays for commodity output. This means that at the time of the reform wholesale prices should not deviate from the value of the commodities with a view to reflecting the technical standard of said commodities. In price differentiations based on the qualities of individual commodities minor deviations should be made in order to encourage the production of higher quality goods and penalize the production of substandard ones if this is not the result of objective reasons. Such deviations must be balanced within the framework of a specific group of commodities and must not adversely affect the measuring function of prices.

In the case of the new commodities which appear in the interval between two price reforms, a certain deviation of prices over values is allowed. This is done in order to encourage the creators and producers of the new, more advanced commodities with improved technical qualities. According to our current method for price setting for interchangeable items, the price is set somewhere between the lower and upper limits; some of the economic results of the consumption of the commodity are included in the wholesale price, thus stimulating the producer. The lower limit of the price of the new commodity includes the normative production cost plus the average profit norm for a specific commodity group. Consequently, this price is either consistent with or closest to the socially necessary labor outlays for commodity production. In setting the wholesale price above this lower limit, the price-setting authority actually pushes upward the price of the new commodity. The same pertains in the use of parametric methods for determining prices of standard new commodities and their varieties. In setting the price of a given new commodity with the help of parametric methods we use the ratio between outlays and technical parameters which exists in the prices of similar goods already under production. Consequently, any deviation of prices from socially necessary labor outlays would be transferred to the price of the new commodity. Furthermore, in designing a new commodity a more successful technical solution may have been found which reduces the amount of the material needed for its manufacture or else substitutes less expensive or more expensive materials. The production technology of the new commodity as well could be improved, thus saving on labor. Such is also the case in improving the organization of labor. Consequently, there are no reasons for the new items to be subject to the ratio between outlays and technical parameters applying to the older commodities. The use of this ratio leads to a deviation of the price from the socially necessary labor outlays for the production of the commodities, a deviation which is usually in favor of the producers, i.e., it increases prices above the socially necessary labor outlays.

Independently of all this, the parametric methods should be applied, for the prices set on their basis encourage the producers to create new commodities

with higher technical indicators and at lower costs, which is in the interest of the collectives, the economic organizations and society. In this case the hiking of prices is a temporary phenomenon which exists for the interval between two price reforms. This deviation is used by the producer until the next price reform, when wholesale prices are reset on the basis of the socially necessary labor outlays.

A certain increase in wholesale prices of new commodities, which is the result of this price-setting method in terms of socially necessary production outlays, is inevitable. Such increases essentially develop with other commodities as well, to the extent to which wholesale prices remain the same for a certain period of time while socially necessary outlays decline steadily.

The following principle must be observed very strictly in setting the prices of new commodities: the price of a new item may be increased but in terms of consumer value (parameter) it should decline compared to the old item. It is only with the observance of this principle that the economic effect will be shared by the producer and consumer of the new item and will create an incentive for its development and fast utilization in production and consumption.

This means of price setting for new commodities will enable the economic organizations which are more successful in the utilization of scientific and technical progress to achieve a higher differentiated income through the thus-developed prices. With the current economic mechanism of directly relating wages to end results of economic activities, this will create a material incentive in the collectives to make prompt use in production of new scientific and technological developments.

This leads to several more important conclusions and suggestions.

First, prices and price setting, combined with the other economic levers, could play a great role in creating material incentive in commodity producers to enhance the technical standards and quality of produced commodities.

Secondly, a stimulating role can be played only by the wholesale prices which maximally take into consideration the national socially necessary outlays for commodity production. Such prices reflect accurately and precisely the accomplishments of the individual collectives. They are most fully consistent with the requirements of cost accounting and create conditions for combining social with collective and individual material interests.

Third, our current wholesale system is not consistent with these stipulations. It does not reflect the basic price stipulations contained in the 1982 legal documents related to the economic mechanism. In our view, the adaptation of this system to these stipulations cannot be achieved through partial price changes but only with the help of an overall reform based on uniform principles.

Fourth, commodity producers may become materially interested with the help of a certain deviation of prices from socially necessary labor outlays in order to reflect the enhancement of technical standards and quality of commodities.

This may play a positive role only if it is based on the following: a) a scientific price system; b) a specific time period (between two overall



price reforms); c) within certain limits (part of the economic effect of the use of commodities in production and consumption).

Fifth, in order for prices and price setting to play a greater role in improving the technical standard and quality of the goods, in addition to an overall price reform, on the basis of the normative documents of the economic mechanism the process of price-setting should be improved in the following directions: a) we must improve the method of price setting for scientific developments, taking more fully into consideration outlays and directly relating the net income within the price to the economic effect of the new item or technology; b) we must restore and, on the basis of Soviet experience, improve and expand the practice of the use of ceiling prices; c) in setting the prices of new commodities we must strictly observe the principle according to which the price per unit consumer value (parameter) be reduced in terms of the price of the older commodity which is being replaced.

Under these circumstances we believe that prices and price setting could play their positive role in the nationwide struggle for enhancing the technical standards and quality of goods in our country.

#### FOOTNOTES

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## PROGRESS OF NATURAL GAS PROGRAM OUTLINED

Budapest NEPSZABADSAG in Hungarian 10 Apr 84 p 5

[Text] Now and in the next few years, there are and will be no means either for new investments or for increasing production, says Ferenc Kuszto, director of gas supply of the National Crude Oil and Gas Industrial Trust [OKGT].

The Sixth Five-Year-Plan considerably curtailed the investments and, accordingly, an expansion of the use of natural gas was also represented rather modestly in the expectations. Apart from the Capital City, we planned to include 50-70,000 new natural gas consumers in the provinces with emphasis on two large settlements: Pecs where city gas has been used and Monor where gas could be transported through completely new gas lines.

### Plans and Possibilities

Thanks to the 1981 energy rationing program, nevertheless, much more than that had been achieved during the past 3 years. Namely, as a result of the incessant increase in the price of oil, an examination of the structures of hydrocarbon utilization and its modernization had become urgent, to achieve thereby a decrease in crude oil imports. Because frugality could be the only goal in its use in motors, an opening for the substitution for crude oil was available above all in heating. Thus the use of coal and--where it proved economical--natural gas was again placed on the agenda. Credits made it possible to increase the rate of substituting oil by natural gas starting in 1982, first of all in large agricultural enterprises and in industry. In addition, within 3 years, 86 new settlements were also provided with natural gas, community establishments in numerous places as well as households.

Further plans? Well, from credit extended by the World Bank for this purpose--based on a decision--12 additional settlements will receive natural gas by 1986. In Keszthely, Tapolca, Sarvar, Szekszard, Bonyhad, Mezokovacsahaza, Lajosmizse, Turkeve, Mezokovesd, Jaszbereny, Heviz and Sopron--at this last place, city gas has so far been obtained by gasoline decomposition with a great loss in efficiency--within 3 years, 12,000 consumers will receive the more modern form of energy with a greater heat value. A characteristic datum: instead of the 50-70,000 as planned--by the end of December 1985--120-130,000 industrial and household as well as community consumers will receive natural gas in the country. This enormous task is promoted not only by state support, credit from the National Bank and the World Bank, but also by the gas bonds which were issued by the OKGT at a value of 400 million forints and were bought by the enterprises and factories.

In addition, it is good to know that the use of natural gas is emphasized only at places where it was shown without any doubt that its substitution for oil is unequivocally economical. That is, at places where the greatest amount of crude oil can be substituted with the least amount of new investments.

Although the numbers have been impressive so far, the distribution of natural gas use is not quite this comforting. Let us again listen to Ferenc Kuszto:

"At present, the OKGT is selling 10 billion cubic meters of natural gas per year, 6.5 billion of which is produced by us while 3.5 billion is chiefly Soviet import. With respect to its utilization, 7-8 percent of this goes to households, 30-35 percent to electric power plants, 10-12 percent to the chemical industry--for further processing--while the remaining fraction is used as fuel by industrial plants. Our greatest problem is supplying the electric power plants because these convert natural gas energy into electric energy with a rather bad, 30 percent efficiency. Nevertheless, we are forced to do so for the time being because of the limits to domestic coal production, and today we can merely strive to lower the use of hydrocarbons by increasing the role of coal power plants. The natural gas to be liberated in this manner could be and will be channelled to the population because direct utilization is the most profitable."

#### Instead of Oil

Two plans have been prepared showing the possible extent and modes of substituting natural gas for crude oil until 1990. This, of course, depends on the future import possibilities. According to the more restricted program, it will be possible to connect up with 80-100 settlements, mainly large industrial and agricultural enterprises, by 1990. With respect to supplying the population, settlements with already existing gas lines are in the first place in the plans.

This becomes understandable if we consider that, during winter, the demand for natural gas is four-fold greater than in the summer--especially because of heating--and therefore all installations, storages and lines have to be increased four-fold, and this is no small expense. The OKGT is spending 50-60,000 forints per household for this purpose while another 50-60,000 forints are born by the population. And after all this, where do we stand with gas supply on an international scale? At present, 242 settlements in the country receive natural gas on a 5,000 km long distribution line and 500-600 km new lines are being built annually. The proportion of households supplied by gas from the lines is 27 percent, compared with 50 percent in the GDR and 45 percent in Czechoslovakia. But in 1960 only 12 percent of the households in Hungary had gas. The increase is striking.

#### Obuda Will Shut Down

We purposely did not mention so far the Capital where, in the framework of the natural gas conversion program accepted in 1971, natural gas will be provided to every household by 1990, replacing the city gas. The elaboration of a long-range, complex energy supply conception for Budapest is on the agenda

where--in addition to distant heat supply--natural gas will also play a central role. This is justified above all by the technical condition of the Gas Factory of Obuda. This year, they will shut down the production of city gas from a crude oil base; the installations are totally worn out. But the earliest possible conclusion of the conversion is also justified by the bad condition of the gas storage facilities. In addition to Obuda, they also produce city gas in Kobanya, its base being chamber gas delivered from Dunaujvaros through a 20 year old, worn-out pipe line. Thus in the long run only the plant in Albertfalva is capable of producing city gas with poor efficiency through natural gas decomposition. In consequence the rate of the program was increased after a temporary slowdown. Gabor Zombor, executive director of the Capital City Gas Plants comments:

"Last year 22,600, this year 30,000 and by 1990 an additional 30,000 consumers will be converted to natural gas heating every year in Budapest. The increased rate of the program is possible mainly because of a new method called network conditioning and treatment. As a result of it, we succeeded in making the old network, originally used to transport city gas, suitable for transporting natural gas. This was an imperative necessity because it would be unthinkable to replace the pipe lines especially in the inner city districts. Just think of it: a complete replacement would cost 5-6,000 forints per meter and the 70-80,000 km needed could only be finished by the turn of the century. Moreover, the streets of the inner city would have to be torn up, paralyzing traffic. It is true that this alone would provide complete safety in the future but, because this road is not open to us, we have to be prepared for an increase in the number of leakages in the new districts receiving natural gas where the more modern energy, with greater heating value, will reach the consumers through the pipe line under a three-fold increase in pressure."

#### At Realistic Places

Increase the rate of the natural gas program! It is easy to say but more difficult to realize. If only because the developmental funds of the gas works--650-700 million forints per year--are sufficient only for the existing reconstruction but they are too small for increasing the rate of conversion. This is why pipe line construction from local resources was put on the agenda a few years ago. As a result of the work of associations formed by the population, nearly 30 km of pipeline was built last year and 40 km is expected this year. Is this much or little? The demand would be 170 km, which would require another 700 million forints support because the Gas Works support the investments of the associations with material and professional advice. And, of course, also with many other things. This does not exhaust the provision of requirements; the new pipe lines need new ring ducts and distributor networks of adequate diameter and quality, and these are not there in most places. Thus, the conceptions of the population associations, supported by their own labor and money, can only be gradually realized.

In spite of the problem the accomplishment of the natural gas program is on a secure road not only in the Capital but also in the entire country, in a direction where the realistic possibilities and sensible modes of natural gas utilization in industry, agriculture and in the households alike can finally be clarified.



OFFICIAL SEES SOFTENING OF WESTERN POSITION ON SANCTIONS

Warsaw TRYBUNA LUDU in Polish 15 Mar 84 p 4

[Interview with Stanislaw Dlugosz, deputy chairman of the Planning Commission of the Council of Ministers, by Bogdan Mikolajczyk: "Sanctions in a Policy with No Future;" date and place not specified]

[Text] During the last parliamentary debate (13 February 1984) devoted to the problems of Polish foreign policy, the point was strongly made that an understanding that the policy of sanctions against Poland used to date has no future is finally beginning to work its way into many Western capitals.

We are discussing this topic with the deputy chairman of the Planning Commission of the Council of Ministers, Stanislaw Dlugosz.

[Question] Where has this change in viewpoint come from and what has dictated it?

[Answer] I will begin by saying that the evolution of views and evaluations in the West on the subject of sanctions against Poland is indeed clear. I will mention, for example, the surprising point of one of the commentaries of Radio France International (RFI), a Polish language broadcasting station very unobjectively set towards our reality, a commentary on the visit to Poland of the French member of Parliament Pierre Joxe. It is most important, said RFI, that for the first time in 3 years France acknowledged the failure of its policy toward Poland and undertook dialogue with the authorities in Warsaw. Also, the influential West German Social Democrat Hans Jurgen Wischniewski, after discussions in our country, spoke in favor of lifting sanctions, stating that they do not benefit anyone. And the FINANCIAL TIMES (13 January) wrote that in Poland there is an increasingly strong conviction that rather than seek cooperation with the West, this country must first of all turn to "the East," that is, toward the countries of CEMA. In this way, the newspaper stressed, the initiative in the development of economic relations with the West is passing from the hands of Washington to the hands of Warsaw. Additional similar opinions could be mentioned. They are a kind of external political expression of the reevaluations on the question of the policy of sanctions which are occurring in Western political circles close to the authorities and also among the authorities themselves. The conclusion is that for an increasingly large group of Western politicians and businessmen, it has become clear (it is a shame it took this long) that sanctions are not effective and that no concessions, political or economic, will be gained from Poland in this way.

[Question] Does the political awareness of the failure of sanctions eliminate the conditions which are at the base of the change in viewpoint discussed here? I think not...

[Answer] And rightly so. An equally important role here is played by special interests. There are more and more voices of representatives of industrial and financial circles who, looking beyond, at the long-range interests of the Western economy, connected with relations with Poland, as well as others, are concluding that sanctions were a mistake.

At the beginning of February of this year, it was in this spirit that Lord Shackelton, chairman of the Council for Eastern Bloc Trade, expressed himself (THE TIMES 4 Feb 82 (as published)). The Council for Eastern Bloc Trade is an important British institution bringing together a group of well-known industrialists, bankers and exporters. The council came to the conclusion which Lord Shackelton expressed more or less in this way: a policy of sanctions is the same as "shooting yourself in the leg." This idiom could be replaced by the Polish "freezing your ears to spite Grandma."

What does all this prove? It proves, first of all, that our concept of fighting sanctions, a policy of reorientation, accepted by all the countries of CECA and based on the intensification of cooperation within the framework of that group, has proved effective and correct. Despite the severe losses caused by sanctions and their deeply felt social costs, Poland has found the key to limit the effects of a discriminatory, unlawful policy and to thwart the plans which were guiding their sanctions.

[Question] Since we have recalled the losses which, as it is known, were questioned by the West, the question arises: Is that still the case?

[Answer] They were questioned by broadcasting stations spreading misinformation for propagandistic goals, with Radio Free Europe and the Voice of America at the fore. The first reactions to last year's report of the Institute of the National Economy on the losses suffered by Poland because of sanctions are in a different tone. Worthy of note is the work of the American analytical center, the Wharton Econometric Forecasting Associates, which does not disregard the negative effect of sanctions on the state of the Polish economy, though it considers the amount of losses presented by us to be overestimated.

[Question] Let us return to the question of the motives which guide authors and representatives of this changing view of sanctions. Are there more besides those already mentioned?

[Answer] Yes, definitely. One can certainly speak of a whole tangle of them. For example, Western politicians who deal with realities, perceiving the layering of economic inconsistencies between the interests of the United States and Western Europe, are seeking possibilities of adapting to new facts. This, I think, is the creation of a kind of stepping stone, this time to a realistic position.

I would not discount an understanding which implies the neglect of the losses suffered by Poland due to sanctions and a diminishing of the question of the compensation which we have coming to us. I also would not rule out the possibility that in estimating the ineffectiveness of sanctions they saw that an effect of sanctions not foreseen by the West is the intensification of the processes of socialist economic integration. So, several evaluations of the discriminatory policy have been proclaimed, openly from the position of fighting these processes, with fear of what I already mentioned, namely their own long-range interests related to cooperation with Poland, and more broadly with the socialist countries. It will not be beside the point to recall that the several billion dollars of imports Poland gets from the West today is, especially for the West European economies, by no means trivial.

[Question] Finally, one question: Would we be far off the mark if we were to suggest that the West is abandoning its policy of sanctions against Poland?

[Answer] I would like to emphasize very strongly that the thesis slipped in here and there by the West, and by some of our shortsighted economists, that our economic future is tied to the technology and techniques from that direction is an illusion. The last 2 years confirmed that when it comes to technical and technological progress, the intensification of our cooperation with the Soviet Union and other socialist partners allows us to solve many of the most complicated problems of development. There is not, and cannot be, a return to the situation of the last decade.

Returning to the question, I think that it would not be without basis to say that in the West there will be an increase, if one can say that, in the lobby of realistically thinking politicians and industrialists who are convinced that the only correct solution is a return to a normal, equitable arrangement of economic relations with Poland. I would like to stress one more thing in conclusion: Poland has been and still is coming from the unchanged position that sanctions should be removed once and for all. Attempts by the United States to apply so-called conference room tactics, that is, a partial relaxation of sanctions and then waiting for some concessions on our part, have no prospects. There can be no talk of conditions, particularly political conditions.

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CSO: 2600/820

## NEW PRODUCER GOODS ALLOCATION RULES OUTLINED

### Rules Summary for 1984-1985

Warsaw GOSPODARKA MATERIALOWA in Polish No 1-2, Jan-Feb 84 pp 1-4

[Article by Wlodzimierz Hausner, undersecretary of state at the Office of Materials Management]

[Text] Supply Flow Forecast for Raw and Other Materials, Fuels and Energy in the National Economy

The shortage of raw materials, fabricating materials and fuels will continue in our economy over the next few years.

The National Socioeconomic Plan [NPSG] for 1984-1985 envisages an approximate growth of 16 percent in industrial production, while producer goods supplies of fuels, energy and raw and other materials will be 8 percent to 9 percent higher than in 1982. This means that half of the production increase must be attained through the more efficient utilization of available material resources. A good supply flow of electrical power is expected. Shut-offs of electrical power for production purposes should not take place. Improvements are expected in the procurement of power cables, storage batteries for automotive vehicles, truck and car tires and tractor and farm implement tires, soda ash and heavy ash, caustic soda, polychloride vinyl and paper. However, the needs of the national economy for power cables, batteries and tires, especially truck tires, will not be able to be met in full.

Raw materials in shortest supply during the coming years will include the following: high-methane natural gas and nitrogenized natural gas, products from crude oil processing, including fuels for gasoline engines in particular, rolled products, steel pipe, drawn and turned bars, galvanized iron, silver and lumber. The shortage of these raw and fabricated materials should be moderated by economical utilization and by replacing them with other available, domestically produced raw and fabricated materials.

The situation with regard to the procurement of raw and fabricated materials and semifinished products imported from the second payments area [capitalist countries] will continue to be the most difficult. The volume of imported producer goods obtained from capitalist countries will be below the 1980 level by about 40 percent.

In assessing the procurement situation over the next few years, it is essential that we stress that, despite the growth of production and of deliveries of many raw and fabricated materials, the supply flow of some of these materials into the national economy will be lower than in the pre-crisis period, for a variety of reasons.

This is illustrated by a comparison of the level of 1980 deliveries compared with planned 1984 volumes.

Table 1. A Comparison of Some Fabricated Materials Deliveries in 1980 with Planned 1984 Volumes

<u>Item</u>	<u>Unit of Measure</u>	<u>1980</u>	<u>1984</u>
Power cables	thous/kilometers	29,330	22,850
Truck tires	thous/units	2,612	2,180
Rolled products	thous/tons	12,481	10,245
Cold rolled sheet iron	thous/tons	1,885	1,551
Galvanized iron	thous/tons	329	288

This comparison, covering some of the materials in shortest supply, explains the reason for the lack of stability in materials procurement in our economy. The needs of consignees for many raw and fabricated materials and fuels are considerably greater than is the potential for meeting these needs.

While the producer goods situation will improve gradually, at the present time it is difficult to speak of deliveries fully meeting the needs of consignees.

The balance-sheet of the Central Yearly Plan [CPR] for 1984 shows that the situation in the area of the producer goods supply of basic raw and fabricated materials will vary. Supplies of the following will increase significantly (more than 5.5 percent) over 1983 levels: brown coal, furnace oil, synthetic rubber, chemical fertilizers, automobile tires, chipboard, soda ash and heavy ash, cotton, polychloride vinyl and power cables. A moderate increase of up to 5 percent will take place for: cold rolled metals, aluminum, copper, zinc, cement, rawhide, paper cellulose and viscose cellulose, chemical fibers and wool. Supplies of coke, nitrogenized natural gas, rolled products, pipe, galvanized iron, paper and cardboard will be at or below 1983 levels.

The planned industrial production increase of 4.5 percent emanates from the available labor, raw materials and fabricated materials resources, as well as from expected producer goods imports. The yet unsatisfactory progress in reducing the materials-intensiveness of production does not allow us to adopt higher indexes for the production increase. It should be stressed that if we are to attain the planned production growth, we must reduce its materials-intensiveness in 1984 by about 2.5 percent, i.e., on a higher scale than in 1983.



## Basic Assumptions of the Producer Materials and Equipment Procurement System

The producer materials and equipment procurement system and its operation are tied in closely with the organization and operational principles of the entire national economy, with the system of management of economic processes. This system must take into full consideration the general rules of the way the economy works and must implement tasks relating to procurement efficiency and effectiveness.

The insufficient supply of basic raw materials and fabricated materials, causing an imbalance on the producer goods market, is a basic factor impacting upon the procurement system. Given this situation, the economic reform has adopted temporary solutions, whereby the state control of basic raw and other materials, fuels and energy and the foreign-exchange funds designated to import them is a major instrument of central level influence upon procurement processes within the economy.

The goal to be implemented through a system of procurement based on the state control of the means of production is the allocation of raw materials, fabricated materials, fuels and energy and machinery and equipment that are in short supply, in line with the directions specified in the CPR's.

The legal regulations passed by the Sejm regarding economic reform apply directly to the procurement system in a very narrow area. In the law on socioeconomic planning, the Council of Ministers is authorized temporarily to set up and define the principles of the state control of raw and fabricated materials transactions, product transactions and foreign-exchange funds transactions within the area that proves to be indispensable due to existing producer goods shortages. The Council of Ministers is obliged to submit an annual report to the Sejm on the results of the use of state control, together with a program for restricting its scope.

Opinions and assessments differ widely with regard to the system's operation based on the new principles. On the one hand, questions are being raised regarding excessive state control of producer goods transactions and restrictions on enterprise autonomy. Mention is being made of such negative phenomena as a monopoly on sales and the excessive centralization and bureaucratization of the system. On the other hand, some say that the interference of the central apparatus in the field of procurement is both necessary and well-founded for the implementation of the specific economic policy.

The assumptions of the producer materials and equipment procurement system for the transitional period of the implementation of the economic reform are based on the following:

--the creation of a sphere of free materials trade, in which enterprises autonomously implement the purchase and sale of raw and fabricated materials, using agents or their authorized representatives, if they find this to be appropriate,

- decisions regarding the major directions of distribution of the basic fuels, energy and raw and fabricated materials to be made through the use of central balances included in yearly plans,
- the inclusion in central import and the financing out of central foreign-exchange funds of the basic fuels, raw materials and fabricated materials and distribution by specific units of trade,
- the restriction of the purchase and consumption of liquid fuels, gas and electrical power,
- the imposition of compulsory intervention in transactions of certain raw materials, fabricated materials and fuels in short supply,
- the definition of the procurement procedure for priority areas and fields.

The minister of materials management and his apparatus, the Office of Materials Management, coordinates activities in the field of producer goods supply.

Designated units of transaction of the means of production authorized to exercise compulsory intervention regarding specific raw and fabricated materials and fuels play a key role in the area of materials procurement. These units are obliged to give preference to specific production areas and fields of the economy. Supervisory teams appointed by the minister of materials management operate within the units and are authorized to control their work.

#### Changes in the System in Effect in 1983

The producer materials and equipment procurement system for 1983 was defined by RM [Council of Ministers] Resolution No 226, dated 8 November 1982. The provisions of this resolution applied to 1983 alone. The principles and procedure for procurement in 1984-1985 were established by a new RM resolution (No 142), dated 24 October 1983 (MONITOR POLSKI No 37). To a significant degree, the resolution adapts procurement principles to ultimate economic reform solutions. This is manifested in the lifting of the distribution of raw materials and fabricated materials and by its replacement with an improved system of compulsory intervention, in the limiting of the number of products subject to compulsory intervention and in the limiting of the amount of electrical energy and gas allotted to the largest consignees.

Full stability on the producer goods market will not be achieved by 1985. Consequently, it is essential that some forms of state control continue through 1984-1985, although it will change considerably in substance and its scope will be limited.

The following are the fundamental changes compared with the system in effect in 1983:

- the role of the central balances of fuels, energy and raw and other materials must be increased,
- the scope of priority procurement must be restricted,
- the distribution of raw and fabricated materials must be lifted,
- the number of products governed by compulsory intervention must be limited,
- the responsibility of the units obliged to intervene in a transaction to implement procurement policy must increase,
- the duty of suppliers to conclude contracts upon consignee demand in the

sphere of guaranteed procurement for raw and fabricated materials governed by compulsory intervention must be imposed,  
--amounts of electrical power, natural gas and coking gas allotted to the largest consignees must be limited,  
--the composition of the supervisory groups appointed within units obliged to intervene in transactions must be specified.

#### The Principles and Organization of Producer Materials and Equipment Procurement for 1984-1985

##### -The Legal Regulation of the Procurement System

The principles and procedure for the procurement of the means of production in 1984-1985 are established by the following regulatory documents:

- a) Council of Ministers Resolution No 142 dated 24 October 1983, concerning the principles of producer materials and equipment procurement for 1984 and 1985 (MONITOR POLSKI No 37),
- b) the guidelines from the minister of materials management dated 14 December 1983, concerning the principles of implementation of producer goods and equipment procurement for 1984-1985,
- c) the guidelines from the minister of materials management dated 28 December 1983, concerning the principles of liquid fuels transactions.

The producer materials and equipment procurement system defined in these legal documents is to ensure the implementation of economic policy in the procurement sphere for 1984-1985, which policy is established by the RM.

The functions of currently directing procurement have been entrusted to specific transaction units that are authorized to exercise compulsory intervention in the transactions of the raw materials and fabricated materials listed in the enclosures to RM resolution No 142 (from 1983). These units are obliged to abide by the procurement policy defined in CPR's, the guidelines emanating from central materials balances and the guidelines issued by the minister of materials management.

Units that distribute materials according to the principles of compulsory intervention are obliged to use the principles that ensure priority treatment to producer goods deliveries for purposes specified in the sphere of guaranteed procurement. Other consignees are supplied with their producer goods in next order.

##### -The Instruments of the Procurement System

The following are the instruments of the system that are to ensure the implementation of economic policy in the sphere of procurement:

- central materials balances,
- the compulsory intervention of the units governing means of production transactions,
- limits on the purchase and utilization of liquid fuels, electrical power and gas,
- the distribution of some kinds of construction machinery and means of transport,



--financial sanctions for violating the principles of the system.

The procurement system is based upon contractual agreements made between suppliers and consignees. The principles and procedure for concluding contracts is regulated by the civil code and by RM Resolution No 207, dated 27 September 1982, concerning agreements of sale and agreements of deliveries between units of the socialized economy (MONITOR POLSKI No 26, item 233).

#### -Priorities in Procurement

The sphere of priority procurement for 1984-1985 was defined according to the form of guaranteed deliveries of materials subject to compulsory intervention. The following are subject to guaranteed procurement:

- government orders for materials and products, the implementation of central investments and reclamation facilities and the implementation of especially important scientific-research and training tasks,
- the production of the goods and services included in production-task programs,
- needs related to the defense and security of the country,
- tasks implemented by units employing handicapped workers,
- essential services defined in RM Resolution No 96 (from 1983) (MONITOR POLSKI No 29, item 156).

Priority status was granted for especially important export production. The minister of foreign trade set up a list of items and the areas of export to be governed by this priority status.

To a great extent, the producer goods situation of enterprises will depend upon the nature of their production or the nature of the services they render. If an enterprise manufactures products or performs services that are covered by government orders or are included in production-task programs or meets needs related to the defense and security of the country, it has guaranteed indispensable deliveries of energy, fuels, raw materials and fabricated materials that are governed by compulsory intervention and it likewise has priority status in the purchase of other materials.

The right to guaranteed procurement is also granted to units that by statute employ handicapped workers. These units include the cooperatives banded together under the Central Union of Disabled Persons' Cooperatives and the Central Union of Cooperatives for the Blind, the economic organizations of the Polish Union for the Hearing-Impaired and the "New Work for the Blind" cooperatives in Warsaw.

#### -Central Materials Balances

The central balances cover 178 raw materials and fabricated materials of fundamental importance to the national economy. The RM confirmed 63 balances when it passed the CPR for 1984. The remaining central materials balances were confirmed by the minister of materials management, who also set up a list of the balances that had been compiled by transaction units or producers, for information purposes.

Expenditures for production purposes, export, the domestic market and state and balance-sheet reserves set up in the central materials balances are compulsory for units obliged to participate in trade. In expenditures for production purposes, the basic directions of consumption are separated, i.e., small-scale production, housing construction and consumption for specific products.

The balances are compiled according to an economic system and not according to a consignee system and they are not to be identified with organizational unit distribution. They are a planning instrument for synchronizing internally the CPR and contain guidelines for units trading in the means of production in the area of procurement policy. They represent general information for enterprises regarding procurement possibilities for specific groups of materials.

The contents of the central materials balances impose upon founding organs of units that produce fuels, energy and raw and other materials the duty of embarking upon the appropriate activities for ensuring deliveries from domestic sources at the established level. Government orders are one form of activity in this area.

The central materials balances project exclusive or supplementary import financed from central foreign-exchange funds. The volume of centrally financed import is defined in CPR's, while the list of centrally imported raw and other materials is included in an enclosure attached to RM Resolution No 142 (1983). This list includes 69 items, exclusively or supplementarily imported from the second payments area--basic raw materials and fabricated materials.

The chairman of the RM Planning Commission or the minister of materials management distributes the balance-sheet reserves of centrally balanced raw materials and fabricated materials covered by compulsory intervention according to the manner established in his confirmation of the balances.

#### -Compulsory Intervention in Materials Transactions

The right to compulsory intervention, meaning trade exclusivity or a monopoly on sale, was granted to 29 units trading in the means of production, the list of which is included in an enclosure to RM Resolution No 142 (1983).

The producers of the given raw materials and fabricated materials have the duty of selling them through the intervention of the designated units of trade. Centrally financed import likewise takes place according to the instructions of the units that have the duty of compulsory intervention. These units distribute the materials acquired among the major consignees and to the local trade units, abiding by the established procurement priorities.

Over 100 raw materials, fabricated materials and groups of materials are included in obligatory intervention.

For the purpose of controlling the observance of the principles of procurement policy by units of trade authorized to engage in compulsory intervention, the minister of materials management has appointed supervisory groups within them and has defined their powers.

Supervisory groups have an obligatory make-up. Participants in them include representatives of the RM Planning Commission chairman, of the minister of materials management, of MON [Ministry of National Defense], MHZ [Ministry of Foreign Trade] and MHWiU [Ministry of Internal Trade and Services], as well as representatives of the founding organs of major producers.

Materials covered by compulsory intervention that are useless to an enterprise may be disposed of by bypassing the unit of transaction, through freely contracted agreements of sale. It is only in the case of materials acquired within the framework of guaranteed procurement that the right of pre-emption exists for units bound to intervene in trade.

In the export of materials covered by compulsory intervention, the units of trade, by agreement with foreign trade enterprises, determine the annual level of export for particular producers, within the framework of the total amount established for export in the central materials balance. The export of the given amount as defined in the balance requires the approval of the RM Planning Commission chairman or the minister of materials management, in the case of each transaction.

The central import of materials covered by obligatory intervention is executed by the foreign trade enterprise, but it is done exclusively upon the order of the trade unit authorized to engage in compulsory intervention. The minister of foreign trade, by agreement with the minister of materials management, distributes the foreign-exchange funds to implement central import.

The purchasers of materials governed by compulsory intervention may order and reserve by contract direct deliveries from a producer, bypassing the unit of trade warehouse.

#### -Limiting the Utilization or Purchase of Electrical Power, Gas or Liquid Fuels

Limits on the use of electrical power, natural gas and coke-oven gas are set for large consignees that use:

- more than 5 giga-watt hours of electrical power per year,
- more than 200 cubic meters per hour of natural gas on the average day,
- more than 400 cubic meters per hour of coke-oven gas on the average day.

Consumption limits for these consumers are established by the main inspector of energy management or by the directors of the district energy management inspectorates.

The principles and forms of state control of liquid fuels have been established as guidelines from the minister of materials management.

#### -Financial Sanctions for Violating the Principles of the Producer Materials and Equipment Procurement System

Failure to adhere to the rules of the producer materials and equipment procurement system carries the threat of stiff financial sanctions. Violation of the regulations results in an added payment into the budget, causing the extreme

loss of 50 percent of the value of the materials and equipment bought or sold outside the strictures of the binding principles. The added payments cover all participants in the procurement process that violate the regulations, i.e.: suppliers, consignees and units obligatorily participating in trade. Exceeding the limit of electrical energy and gas consumption likewise carries the penalty of added payments into the Central Conservation Fund. The amount of these payments is determined was the minister of mining and the power industry.

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The presentation of the principles and organization of the procurement system for 1984-1985 has been limited to general solutions and the most important issues.

A vital role in the procurement system falls to the local trade units and to the voivodship materials management team. These matters are regulated in detail by guidelines from the minister of materials management, issued on the basis the delegated authority of RM Resolution No 142 (1983).

#### Rationed Materials List

Warsaw GOSPODARKA MATERIALOWA in Polish No 1-2, Jan-Feb 84 pp 8-11

[Enclosure No 1 to RM Resolution No 142, dated 24 October 1983 (item 206): "A List of Central Balances of Energy, Fuels, Raw Materials and Fabricated Materials for the Central Yearly Plan for 1984 and 1985]

[Excerpt] I. Articles Balanced by the Council of Ministers Planning Commission; Balances confirmed by the Council of Ministers

1. Hard coal and hard coal briquettes
2. Brown coal
3. Coke and semi-coke
4. Coke-oven gas and gas coke-oven gas
5. High-methane natural gas
6. Nitrogenized natural gas
7. Crude oil
8. Gasoline engine fuels and pyrolytic gasoline
9. Gasoline engine fuels
10. High-compression, automatic ignition motor fuels
11. Furnace oils
12. Electrical power
13. Hot-rolled products
14. Steel pipe
15. Cold-rolled sheet iron
16. Galvanized iron
17. Tinned sheet metal
18. Drawn bars, ground bars, polished bars and turned bars
19. Copper-Cu
20. Zinc-Zn
21. Lead-Pb

22. Tin-Sn
23. Aluminum-Al
24. Silver-Ag
25. Electrical power cables
26. Electric acid storage batteries for automobiles
27. Sulfur
28. Phosphoric raw materials
29. 98 percent crude soda ash and heavy ash
30. 100 percent caustic soda
31. Nitrogenous fertilizers
32. Phosphoric fertilizers
33. Potassic fertilizers
34. Polyethylene
35. Polypropylene and ethylene-propylene copolymers
36. Polychloride vinyl and vinyl copolymers
37. Polystyrene and styrene copolymers
38. Natural rubber
39. Synthetic rubber
40. Chemical fibers
41. Automobile tires
42. Truck tires, machinery and equipment tires (not including farm equipment)
43. Tractor tires
44. Farm machinery and equipment tires
45. Cement
46. Coniferous lumber
47. Chipboard
48. Paper cellulose
49. Viscose cellulose
50. Paper
51. Cardboard
52. Cotton
53. Wool industry raw materials (wool)
54. Preserved rawhide and partially tanned hides for the tanning industry  
(includes leather-dressing)
55. Bulk meat fat and poultry
56. Butter
57. Sugar
58. Concentrated feed (in calendar years)
59. Edible vegetable fats
60. Commercial tobacco
61. Seed grain of basic grain crops and other domestic consumer fodder and  
sowing grains and imported processed milled products (in calendar and  
fiscal years)
62. Eating soy beans
63. Cacao beans

II. Articles Balanced by the Office of Materials Management; Balances confirmed by the minister of materials management

64. Crude tar converted to tar with a 5 percent water content
65. Crude benzol
66. Liquid gases from crude oil distillation



67. Lubricating oils (not including special oils)
68. Plastic lubricants
69. Paraffin and paraffin products
70. Asphalt from crude oil processing
71. Crude iron ore and finished ores, ferruginous metallurgy waste products
- Ferro-alloys [Nos. 72-77]
72. Ferro-silicon (minimum 75 percent silicon)
73. Ferro-vanadium 40
74. Ferro-niobium (except for special types)
75. Ferro-chromium
76. Ferro-silico-manganese
77. Ferro-molybdenum
78. Tire wire (quality drawn wire)
79. Manganese ore
80. Chromium ore
81. Molybdenum ore
82. Tungsten ore
83. Titania (titanium ore)
84. Ilmenite (titanium ore)
85. Aluminum oxide
86. Mercury-Hg
87. Nickel-Ni
88. Manganese-Mn
89. Cobalt-Co
90. Magnesium-Mg
91. Chromium-Si (commercially pure)
92. Cobalt powder
93. Antimony
94. Copper products and copper alloys
95. Aluminum products and aluminum alloys
96. Tire cord (except for steel wire cables)
97. Transporter cables
98. Metal electrodes for welding
99. Heaters
100. En meled tin bathtubs
101. Cast-iron bathtubs
102. Drainboard sinks
103. Gas ranges
104. Bare aluminum aerial conductor wires
105. Bare steel-aluminum aerial conductor wires
106. Borocalcite
107. Tantalum-niobium carbide (except for thallium, tantalum and thorium compounds)
108. Potassium chloride (potassium and potassium compounds)
109. Phosphorus compounds for fodder mixtures
110. Freons
111. Butyl alcohol
112. Octyl alcohol
113. Glycerine
114. Pentaerythrite
115. Benzene
116. Paraxylene (polycyclic aromatic compounds)

117. Plant pesticides
  118. Dioctyl phthalate
  119. Commercial carbon-black
  120. Polyvinyl resins (except for vinyl polymers)
  121. Chlorinate rubber resins
  122. Epoxy resin
  123. Natural and synthetic rubber latexes
  124. Anti-knock agents and depressants (motor fuel additives)
  125. Foam-producing fire extinguishing agents and fire extinguishing powders (auxiliary chemical agents)
  126. Footwear glue
  127. Polyvinyl for insulating and tire conductor wires
  128. Pipe made of polyvinyl chloride and copolymers
- Flooring materials [Nos. 129-133]
129. Plastic finishings and facings for construction
  130. Synthetic stone floor tiles ("lastrico")
  131. Acid-resistant stone-finish floor tiles
  132. Stone-finish floor tiles and shaped stone
  133. wooden flooring materials
  134. Plastic transporter belts
  135. Inner tubes and inner tube pads for automobiles, tractors and farm machinery
  136. Rubber conveyor belts
  137. Felt-rubber work shoes, vulcanized rubber work shoes and vulcanized protective shoes
  138. Asbestos
  139. Calcined magnesite
  140. Kaolin (ceramic, paper, ground)
  141. Alkaline fertilizers and alkaline magnesium fertilizers
  142. Building paper
  143. Mineral wool, glass wool and their products
  144. Drawn plate glass
  145. Glass bottles for consumer articles
  146. Glass jars for consumer articles
  147. Deciduous oak lumber
  148. Untreated leafy beech lumber
  149. Cotton yard and synthetic cotton yarn (worsted, combed and scrap)
  150. Raw cotton fabrics and synthetic cotton fabrics (excluding cord and transporter fabrics)
  151. Finished cotton and finished synthetic cotton fabrics, knits, textiles and spun fabrics
  152. Wool and synthetic wool worsted yarn including woolen yarn
  153. Linen-hemp yarn
  154. Transporter fabrics
  155. Tire fabrics
  156. Heavy prepared leather
  157. Commercial plant oils for varnish production
  158. Sisal (exotic fibers)
  159. Jute (exotic fibers)
  160. Steel scrap (cyclical and salvage)
  161. Cast-iron scrap (cyclical and salvage)
  162. Copper scrap and its alloys
  163. Lead scrap and its alloys

- 164. Zinc scrap and its alloys
- 165. Aluminum scrap and its alloys
- 166. Main series incandescent lamps
- 167. Fuse-links
- 168. Main series fluorescent lamps
- 169. Scrap paper and paper and cardboard waste
- 170. Secondary raw materials and waste raw materials for the textile industry
- 171. Wool combings
- 172. Light prepared leather
- 173. Wool and synthetic wool scraps (knitted and woven)
- 174. Bones for commercial purposes
- 175. Animal raw materials for fodder and for meal production
- 176. Commercial melted animal fats

### III. Articles Balanced by Other Ministries

- 177. Medicinal preparations
- 178. Veterinary medicines

### System Streamlining

Warsaw GOSPODARKA MATERIALOWA in Polish No 1-2, Jan-Feb 84 pp 15-17

[Article by Andrzej Zawalski]

[Text] Council of Ministers [RM] Resolution No 142, dated 24 October 1983, concerning the principles of producer materials and equipment procurement for 1984-1985 authorized the minister of materials management to decide upon several detailed questions related to the operation of the process of supplying socialized consignees with raw materials, fabricated materials, fuels and energy governed by state control. These decisions are outlined in the "Guidelines" that follow.

The purpose of the "Guidelines" is primarily:

- to outline the procedure to be used by enterprise-consignees in the purchase of the rationed materials needed by them,
- to establish the procedure for the work of the units that exercise the function of compulsory intervention in the trade of rationed materials,
- to outline the scope of tasks and authority in the process of rationed materials transactions of the social coordinating organs, i.e., supervisory groups and voivodship materials management teams.

Thus, the "Guidelines" are of vital importance both for enterprises purchasing state controlled materials and for the units conducting their sale. The detailed information contained in this document should facilitate the process of the purchase of rationed materials for consignees.

Let us look at several questions based on the "Guidelines."



The first is related to the lifting of fabricated materials and raw materials distribution beginning 1 January 1984 decreed by RN Resolution No 142 (1983). This has the effect of eliminating from the process of materials transactions used thus far various documents of an administrative nature (allocations lists, distribution lists and orders of payment). The only document serving as a legal basis for a relationship between a supplier and consignee of state controlled materials is the contract normally drawn up on the basis of a consignee's order, which order is submitted to the appropriate unit authorized to conduct the trade of the given materials.

Depending upon the volume of the materials ordered, the consignee may submit his order to the units that exercise the function of compulsory intervention or to the appropriate local materials trade enterprises listed in enclosure No 1 to the "Guidelines."

Thus, the suspension of materials distribution somewhat simplifies the process of contractual relations between suppliers and consignees. This may lead to certain problems emanating from past usages and operational routine for some consignees (in associations, for example) and in materials trade units. These transactions frequently meant "adjusting" the orders of consignees to previously received allotments and distributions (so-called purchase authorizations). The changes ushered in in this area will require a corresponding modification of the methods and styles of the work of both partners.

The "Guidelines" adopt the general principle that the legal duty to enter into a contract exists with regard to consignee orders of materials for specially protected purposes (they are listed in detail in part I of the "Guidelines"). This means that the order of such a consignee must meet with the supplier's positive answer, and that his failure to answer means that a contract has been concluded via his tacit approval.

Another simplification of the procurement process lies in the exclusion of one element from the materials rationing procedure, namely the voivodship materials management teams, with two exceptions. The powers of these organs in the trade of rationed materials have been retained provisionally with regard to liquid fuels and work clothing and footwear designated for the workforces of socialized plants. These powers are based primarily upon the acceptance of the delivery plans submitted by the appropriate trade enterprises and on the examination of the possible appeals of consignees against the negative decisions of the directors of these enterprises.

Thus, with regard to the articles named, voivodship materials management teams are able to exert effective influence on the formation of procurement policy, since their decisions, according to the "Guidelines," are binding for the local trade enterprises that conduct the sale of these articles.

The "Guidelines" also stipulate the possibility for consultation with local units on the trade of volumes of the following materials in short supply:  
--construction materials necessary for executing housing, school and hospital repairs,  
--materials covered by compulsory intervention that are indispensable for the economic units performing so-called essential services.

Such consultations may be necessary especially where the materials needs of consignees exceed the supply potential and it becomes necessary to select where the deliveries will go depending upon the degree of urgency of needs.

The reduced share of voivodship materials management teams in rationing affairs results from two basic considerations:

--the voivodship offices under which these teams function are not prepared in terms of organization and staff to conduct cases related to the rationing of raw and fabricated materials, nor is this their task in the light of economic reform principles,

--the voivodship materials management teams are the social organs appointed to popularize among the plants of the given voivodship the positive experiences in the field of materials management rationing in the broad sense (e.g., the propagation of materials-conserving technologies, of methods of the broader utilization of secondary and waste raw materials and of the development of various forms of reclamation and the making of arrangements that favor the maximum utilization of local raw materials resources and the like). Naturally, the absorption of voivodship teams in materials rationing matters diffused their attention.

From the societal viewpoint, the implementation of housing construction is an extremely important question. The "Guidelines" provide for solutions that are to ensure the improved coordination of the distribution of materials in short supply with the territorial arrangement of housing construction. Involving voivodship housing administrations as consultative units in the process of the rationed materials trade should foster this.

Given the existing shortage of raw and fabricated materials, it is very important that their delivery to the services sector be ensured. According to RM Resolution No 96 (1963), deliveries of rationed materials indispensable to the rendering of so-called essential services will be implemented according to the principle of guaranteed purchase. This applies to the following services: clothing, shoemaking, laundering, glazery, ophthalmic, furniture-upholstery and blacksmith-locksmith services. Thus, real improvement in materials procurement in this sphere of work will depend upon the economic units that render these services and upon their effectiveness and persistence in attaining their rights, to a great extent.

The continued materials rationing, although in a limited scope, requires certain forms of social supervision in this field. In the "Guidelines," this role is entrusted to supervisory teams appointed under the units that exercise the functions of compulsory intervention. The primary tasks of these teams consist of exercising supervision over the proper implementation by units of trade of the established procurement principles and over the observance in trade policy of priority socioeconomic goals, as well as of examining the appeals of consignees whose valid materials needs have not been met by the unit of trade. The work of these teams is to ensure the indispensable objectivity in the distribution of material goods in short supply.

The delivery plan is the basic document to aid these teams in assessing and creating procurement policy. It is the internal document of the unit that is obliged to intervene in transactions. After this document is approved by the supervisory team, it becomes the basis of the production-task trade activities embarked upon by this unit. The delivery plan ought to contain at least information regarding:

- expected volumes of deliveries for the major consignees,
- expected volumes of deliveries for local trade enterprises,
- expected volumes of deliveries of some articles in the voivodship structure.

Thus, with the delivery plan as a basis, contracts are concluded with consignees according to the procedure and principles defined in RM Resolution No 207 (1982) (concerning o.w.u.s. [official terms of contracts of sale]) and in the civil code. The orders of particular consignees should be the basis of these contracts.

Units authorized to exercise the function of compulsory intervention perform a key role in the rationed materials trade. The efficiency of the procurement process depends, in large part, upon the effectiveness of the work of these units. They possess extensive powers in the field of the trade of rationed articles and in this regard they assume responsibility for the proper organization and flow of the consignee procurement process. Meanwhile, they are responsible primarily for developing production-task trade policy that ensures the implementation of priority socioeconomic goals established by the RM. Here these units ought to streamline considerably their cooperation with their partners, i.e., producers, foreign trade enterprises and materials trade enterprises. These partners should be bound by long-term contracts or cooperative agreements regulating all of the essential questions for each side.

Such agreements should be concluded in particular:

- between units that perform the functions of compulsory intervention and suppliers, i.e., producers and foreign trade enterprises,
- between units that exercise in compulsory intervention and local foreign trade enterprises that conduct the sale of rationed articles.

The need to conclude agreements with suppliers emanates from several premises. The first of these is the fact that, according to RM Resolution No 142 (1983), producers and foreign trade enterprises are duty-bound to sell rationed articles exclusively through the intervention of the appropriate mediators.

In this way, the agreement upon terms and procedures of cooperation should be favorable for both parties, and should take into account questions regarding:

- the method and deadlines for establishing the volume of goods deliveries in accordance with the mediator's orders,
- the qualitative requirements and complaint procedure,
- the principles of implementation of so-called orders in the course of organized transit (including the meeting of deadlines for the implementation of such orders and a minimum amount of so-called factory shipments),
- the principles for setting regulated and contract prices,
- the method of supplying goods to consignees (i.e., defining which of the parties guarantees the means of transport regardless of who bears transport costs).

The need for units engaging in compulsory intervention in trade to conclude agreements on cooperation with local trade enterprises authorized to conduct the sale of these articles emanates primarily from the fact that these units are responsible for the entire course of the procurement process of the national economy with regard to state controlled articles. This applies both to the consignees with whom these units enter into direct agreements (or intervene in concluding them) and to the consignees with whom local trade enterprises conclude these agreements. The possible appeals of both types of consignees are directed toward these units. Hence they should ensure for themselves the indispensable conditions enabling the effective steering of the procurement process. To this end, the "Guidelines" recommend that cooperative agreements between such partners outline:

- the socioeconomic goals that demand the special concern of local trade enterprises,
- the scope of information on reserves and the directions of sale submitted by local trade enterprises to the compulsory mediator,
- the basic principles of the organization of warehouse sale,
- the principles of cooperation in establishing the volume of demand and product quality studies.

The extension to 2 years of the period of time during which the procurement principles established in RM Resolution No 142 (1983) will be in effect sets up favorable terms for the stabilization of contractual agreements of such partners. Their closer cooperation resulting from a certain "debureaucratizing" of the rationing process should lend greater flexibility to the procurement process. In effect, this should mean the improved adaptation of the production assortment program and of import to consignee needs, the simplification of the materials purchase procedure, and the bringing of the sources of purchase closer to consignees via the directing of most items into the retail network that supplies a large number of intermediate and small plants. These are important tasks confronting the particular units that function as compulsory mediators.

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CSO: 2600/930

## MOST FAVORABLE SPRING PLANTING DATES SPECIFIED

Warsaw CHLOPSKA DROGA in Polish 25 Mar 84 Supplement pp 4, 5

[Article by "Poradnik Gospodarski: Dates for Planting Spring Crops"]

[Text] A number of different factors determine crop yields, such as the soil, its cultivation and its fertility. Fertilization before planting and during growth is a determining factor as well as matching varieties of crops being cultivated with actual soil conditions and with climate.

The deadline for planting also has an influence on yield size. For example, if it is in keeping with the requirements of a given variety, it becomes a strong point in a farmer's efforts for high yields. However, if it is not in keeping with them, yields are lowered in size. Consequently, we are publishing below the most favorable dates for planting spring crops.

## Spring Cereals

Oats require early planting. Long-lasting ground frosts do not affect the planting of oats adversely. The seed lies in the ground until it is warmed and then germinates to perfection. It is better to plant too early than too late. The date for planting oats is subject to weather conditions from mid-March to mid-April. Usually delaying of oats causes lower yields.

Spring wheat must be planted as early as possible (at the same time as oats), since with delay planting it yields less, produces an inferior seed and is often overcome by rust and corn flies. That is why the field for spring wheat should be plowed in the fall.

Spring barley should be planted early; however, when the weather is wet and cold the early planted seed lies too long in the soil and then comes up poorly. Barley should be planted later than oats, when the soil is already sufficiently dry and warmed and when there is no fear of a return of winter. The date for planting is determined by the region and weather conditions



for spring--it falls in March here; four-rowed barley and German wheat are planted later, during the first half of April.

#### Seeded Leguminous Plants

Peas should be planted in the spring as one of the first plants. There is truth in the old Polish proverb: "Plant peas in March and you will harvest them in a pot; whoever plants in May will weigh them out in an egg."

Lupines. At the Minikow Experimental Laboratory it was discovered, for example, that under Pomeranian conditions the proper time for planting lupin seeds is when willows and gooseberries foliate. In other words, lupines should be planted at the same time that oats and peas are. White lupine can tolerate spring ground frosts well.

Beans. An early planting is advisable if they are to be grown from seed. Seeds germinate at low temperatures and tolerate spring ground frosts well. A considerably lower yield is obtained from late plantings.

Seeded vetch. Its seeds germinate at a temperature of 2-3 degrees. Sprouts are resistant to spring ground frosts.

The continuously bearing African pea tolerates spring ground frosts well. The date for planting is when willows and gooseberries foliate.

Continuously bearing peas cultivated from seed, just like the continuously bearing African pea, tolerate spring ground frosts well. They provide an opportunity for acquiring green forage in late fall.

Soy. The proper time for planting soy is when maples flower. This occurs most often in the second half of April.

Bird's-foot cultivated from seed should be planted earlier, with oats for example, in regions where seedling rot does not occur.

#### Green Forage Papilionaceae

Alfalfa is best planted in the spring since the plants will not only have a chance to develop before winter but will yield a green mass for cutting.

White melilot is planted with grain, as is done with red clover.

Kidney vetch is planted with spring or winter cereals as early as possible in the spring.

Trefoil is planted with winter oats or spring cereals, when spring cereals are planted.

#### Fiber Plants

Flax. The best time for planting flax is between 1-15 April. It tolerates a ground frost from 5-6 degrees extremely well. In southwest Poland flax

must be planted around 1 April and even at the end of March in years when there is an early spring. In northeast Poland (Bialystok and Olsztyn provinces) flax should be planted later, approximately after 15 April.

Hemp cannot be planted early because it is sensitive to ground frost. It is best to plant it during the second half of April and even at the beginning of May if it is cold.

#### Oil-Producing Plants

Spring rape should be planted in soil that is sufficiently warm, after planting spring cereals, somewhere around mid-April. It usually gives the highest yields when planted at this time and when it is well protected from damage.

Poppy seed should be planted as early as possible. A late planting lowers yields considerably.

White mustard tolerates ground frosts well. Therefore, it can be planted early, that is, at the beginning of April.

Toadflax is not sensitive to spring ground frosts.

Linseed tolerates spring ground frosts. It should be planted early during the time for planting spring cereals.

Abyssinian cabbage tolerates spring ground frosts well. It should be planted as early as possible.

The oil radish tolerates ground frost.

Safflower should be planted at the onset of spring cereal planting.

Oil squash does not tolerate ground frosts well. It can be planted after 10 May.

The castor-oil plant is very sensitive to ground frosts. It is planted between 25 and 30 April where there is no fear of late May ground frosts but it must be planted between 5 and 10 May in areas where May ground frosts occur.

Sunflowers are planted at the time when spring cereals are planted.

#### Corn

Corn is sensitive to spring and fall ground frosts below 2 degrees.

#### Various Kinds of Grazing Herbage

Feed millet requires a temperature of 8-10 degrees to germinate. Therefore, it can be planted in the beginning of May.

Sudan grass requires warmth to develop. The very best time for planting falls in mid-May.

Feed cabbage is planted in spring in a propagator if we are growing it as a principal crop; though as an aftercrop it is planted in May.

Feed comfrey can be planted in early spring or fall in soil fertilized extensively with manure.

Various varieties of millet. Millet is sensitive to ground frosts. Therefore, it should not be planted earlier than in the beginning of May, but it can be planted in the beginning of June, also. An early planting in the month of May gives greater yields and healthy seeds.

Buckwheat is very sensitive to cold and even a slight ground frost is harmful to it. Therefore, buckwheat can not be planted earlier than the second half of May and in cooler regions in June.

#### Mixed Annuals for Green Fodder as a Principal Crop

In practice, mixtures of field peas for grazing or seeded vetch with oats are used most often in light and average soils, and field peas, seeded vetch and beans with oats in heavier soils. They can be planted a few times as a principal crop--from the beginning of April to the middle of May. This prolongs their period of use.

#### Root Crops

Carrots for fodder should be planted the earliest of all root crops because they come up slowly: in the western regions of Poland in March and in others in April.

Sugar beets should be planted when the soil warms up to 8 degrees: in the southwestern provinces in the first half of April and in the northeastern ones at the end of April.

Chicory is planted somewhat later than sugar beets since if it is planted early it produces many early seedlings.

Turnips. In April, more or less 6 weeks before the expected date for planting, the seeds are planted in a propagator. For 150 m<sup>2</sup>, 1 kg of turnip seeds should be planted. There are enough plants from such a plot of ground to cover a hectare of field.

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CSO: 2600/854

## APPLICATION OF ECONOMIC REFORM IN FOOD INDUSTRY DISCUSSED

Warsaw WIES WSPOLCZESNA in Polish No 11, Nov 83 pp 22-28

[Article by Roman Urban, Jan Jasiun and Ewa Rajkowska: "Economic Reform in Food Industry"]

[Text] In order to determine the degree of implementation of the economic reform in the food industry and to evaluate its impact on production and the efficiency of control over basic production parameters, 17 food industry enterprises have been analyzed by the Institute of Agricultural Economics and Food Economy. The first group consisted of nine enterprises working within the framework of the system of central distribution of raw materials and finished products and using standard prices. These enterprises belonged to the following branches of the food industry: meat industry, milling industry, sugar industry, and fat industry. The other group included eight enterprises belonging to the confectionary, farm produce, and dehydrated foodstuffs industries, which cooperated with their contractors on a contract basis. In both groups, production and economic results were analyzed for the first half of 1983.

#### Production

Production results achieved by the enterprises in question in the first half of 1983 indicate that food industry is overcoming the crisis and making steps towards progress. Sales amounted to almost 60 percent of last year's total sales.<sup>1</sup> This parameter was not higher than 50 percent only in four enterprises. Growth tendencies can be noted primarily in these branches of the food industry in which activities of enterprises are controlled by economic parameters (Group Two), although this group also includes branches in which command plays a crucial role.

What is new is the fact that the degree of implementation of the annual plan is higher than the elapsed time coefficient by 3.5 percent, which may reflect

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1. In the years with relatively stable prices the rate between the production in the first half of the year and the total annual production was between 45.5 and 48.5 percent.

the caution with which enterprises proceed in autonomously setting up their production plans. This applies to more than a half of the enterprises covered by the study. The existence of this phenomenon should be stressed especially in view of the fact that the food industry is characterized by a seasonal production increase in the second half of the calendar year.

Following are the parameters that have contributed to the observed increase in sales:

(1) In many of the enterprises covered by this study, an increase in production volume has been noted, notably in those branches in which several types of raw materials are processed, i.e., in those in which autonomy increases the possibility of overcoming the raw materials barrier.

(2) In the majority of the enterprises, significant changes in production structure are underway, in which case change coefficients for basic product<sup>2</sup> production are lower than for total production. Most significant changes in production structure took place in the farm produce, confectionary, fat and dehydrated foodstuffs industries as well as in one enterprise belonging to the meat industry.

(3) Price rises were an essential factor of the increase in value of sales only in some enterprises, primarily in the confectionary industry, and to a lesser degree in the farm produce industry.

All this goes to say that the reform is already beginning to have a positive impact on production increase in the food processing industry, especially in those enterprises that are in a position to obtain raw materials outside the system of central distribution. Some new symptoms can also be discerned: in the food industry smaller enterprises are more flexible.

#### Employment and Wages

In most of the enterprises covered by this study, the number of work force members is now almost the same as last year, and as a rule it is smaller than planned. An increase in employment has only been noted in the dehydrated foodstuffs industry and in those branches which have their own raw material supplies. In one case an increase in employment was affected by reorganization. In 12 enterprises employment of industrial workers has decreased, in most cases 2.5-3.0 percent.

Average wages are close to the planned level or slightly higher. Comparison with the previous year shows that the increase in wages is moderate, and only in 50 percent of the enterprises it is higher than 5 percent, which shows that the growing tendency, that was attested earlier, has been stopped.

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2. This group includes: in the meat industry--slaughter meat, in the milling industry--flour, in the confectionary industry--candy and cake, in the dehydrated foodstuffs industry--macaroni and cake [as published], in the fats industry--margarine, in the farm produce industry--processed fruit and vegetables.



Another phenomenon noted in the first half of 1983 is the restoration of the correlation between enterprises' production results and wages, which was broken earlier. Comparison of production changes with changes in wages shows that the distribution of the enterprises in question along these parameters was similar. In 50 percent of the enterprises, an increase in wages was even lower than an increase in production. Only in 30 percent of the enterprises did an increase in wages exceed an increase in sales. This phenomenon was attested mainly in the milling industry as well as in the meat and dehydrated foodstuffs industries.

The changes in labor economy allow us to formulate the following hypotheses:

- (1) Enterprises underestimate the possibility of an increase in production at the same or a lower level of employment, although changes in liabilities of the Vocational Activation Fund [FAZ] have given rise to processes of employment rationalization.
- (2) Systemic solutions of the reform and their modifications introduced in 1983 have restored the correlation between wages and production, which is a novelty compared with the first year of the reform implementation.
- (3) The outdated labor structure in which the number of industrial workers is low or decreasing still persists.

#### Costs and Remunerability

It has been noted that there is still a growing tendency among all basic types of costs, including material costs, although their dynamics in most cases does not exceed the dynamics of sales. Only in one-fourth of the enterprises in question was an increase in material costs higher than an increase in sales, which may indicate that in the food industry material consumption per unit has dropped. Another growing tendency is that of processing costs, which, as a rule, is higher than an increase in sales and total costs. The inverse situation has been attested only in four enterprises. Since the correlation between production and wages has been restored, this is due to higher insurance costs, taxes, loan repayment costs and machinery utilization costs.

The financial situation of food industry enterprises is also influenced by clearings with the state budget due to subsidies and turnover tax. In the time span in question, 50 percent of the enterprises received lower allotments or had to pay higher turnover tax, whereas in 40 percent of the enterprises subsidies were increased. These changes have led to a decrease in allotments granted to the enterprises in question by 1 percent. This progress is not stable because the recent increases in purchasing prices bring about an increase in allotments in the second half of 1983. This increase will be particularly high in the milling industry, where subsidies will exceed the value of sales in terms of realization prices.

All of the enterprises in question made profit in the first half of 1983, as they had made last year. A certain increase in profit has been noted in

comparison with the first half of 1982. A relative decrease in profit took place only in meat industry enterprises and in their individual units in other branches. It should be added that earlier the majority of enterprises were pessimistic about the possibility of making the same profit as in the previous year.

Production profitability in terms of the ratio between profit and processing costs was in the first half of 1983 generally slightly lower than in the previous year. The changes have been brought about by the fact that the number of enterprises with high profitability (over 70 percent) decreased whereas the number of enterprises with profitability between 30 and 75 percent increased. This leveling of the profitability index is a consequence of not only changes in profit but also of an increase in processing costs. Thus, enterprises paid less in income taxes than last year.

Production profitability looks different when it is measured in terms of the ratio between profit and total costs. Seen in this light, it is higher on average than last year and considerably higher than planned. This index also shows that the financial situation of the enterprises is diversified. Thirty-five percent of the enterprises have lowest profitability (up to 5 percent). This group includes meat industry and milling industry enterprises. The most numerous is the group of enterprises with profitability of over 15 percent, which is a considerable increase in comparison with the earlier situation. Based upon the analysis of enterprises' production profitability, one may conclude that the financial situation of the enterprises in question, taken as a whole, has improved, though it varies from one enterprise to another. The enterprises working within the framework of the system of central distribution and using standard prices are in a difficult situation.

In sum, the analysis of the economic activities of the selected food industry enterprises supports the claim that they are gradually adapting to new conditions and systemic solutions, the processes of implementation of the reform reveal great differences in economic situation among individual enterprises, which often does not depend on their efficiency in controlling basic production parameters but rather on external factors. For example, the lowest profitability level and its constant drop have been noted among those enterprises whose activities are constrained by the system of central distribution and a rigid system of standard prices. The differences are softened by compensations within a given branch, but this leads to a situation in which financial results achieved by enterprises are also dependent on an association's decision.

#### Progress in Reform Implementation

Opinions about the degree of implementation of the three basic principles of the reform are diversified among the enterprises in question. Using a five-point scale, it is most often ranked at the level of three or four. Averaging the evaluations shows that the principle of self-financing has been implemented most successfully, while the principle of autonomy least successfully. Surprisingly enough, the principle of self-management was ranked rather high. A caveat is in order, however. The evaluations were made by the

management and not by workers' self-management councils. It follows from the distribution of the rankings that the enterprises in question fall into two groups. The first group, which includes enterprises belonging to the milling industry, meat industry, fat industry, and confectionary industry, has the following average rankings: the principle of autonomy--2.45; the principle of self-financing--3.00; and the principle of self-management--3.10. In the other group, the average rankings are considerably higher: 3.75, 4.38 and 4.13. This group includes enterprises that use market prices and partially work outside the system of distribution.

While responding "yes" or "rather yes" to the question concerning progress in implementation of the reform, 30 percent of the subjects did not see any progress in implementation of the reform and its "three S's." The distribution of answers is similar in each of the three basic principles of the reform, although the greatest number of "yes" answers was given to the principle of self-financing, and the smallest to the principle of autonomy.

#### Factors Hampering Reform Implementation

Enterprise autonomy is above all limited by raw materials distribution. This view was invariable regardless of the branch to which a given enterprise belonged. A similar distribution of answers (over 50 percent) took place in the case of distribution of finished products and rigid prices. This opinion was expressed by those enterprises which use standard prices and sell their products within the system of rationing. Minor constraints are excessive obligatoriness of tasks and interference from associations and banks.

Following are the factors that constrain the principle of self-financing: high income taxes, lack of the enterprise's own capital in turnover, and excessive systemic payroll limitations. For the enterprises using standard prices, an important limitation is the rigidity of the price system as well as uncertainty with respect to subsidies. No major threats were difficult access to credits, obligatoriness of tasks which make changes in production structure more difficult, and repayments of earlier loans. These phenomena were viewed as constraints on the principle of self-financing only by 15-25 percent of the subjects.

#### Impact of Reform on Production and Management Efficiency

The enterprises differed in their opinions on the impact that the reform had on the domestic market and export production. In spite of the fact that about 60 percent admitted that the reform had a positive impact, only 30 percent expressed this opinion categorically. Furthermore, these enterprises use market prices and cooperate with their contractors not only within the framework of the system of distribution. In opinion of the enterprises, the implementation of systemic solutions has a better impact on management efficiency and control over basic production means. About 80 percent of the subjects claim that the reform is improving the raw materials economy, and about 70 percent note this phenomenon in labor economy. Less diversified is the distribution of opinions on the impact of the reform on the subsidiary material economy and especially on durables--63 percent and 55 percent, respectively.

What is characteristic is that the distribution of opinions on the impact of the reform on control over basic production parameters was not influenced by the group membership.

This evaluation of the problem has been checked and enriched with a question on what actions were taken by the enterprises to lower factory costs. It follows from this that, in order to make material consumption per unit lower,

--in about 80 percent of the enterprises loss and processing standards were analyzed in more detail;

--in about 60 percent of the enterprises changes in production structure were introduced; and

--in 40 percent of the enterprises new or modified recipes were introduced.

#### Decisionmaking Criteria (Purposes of Activity)

In an attempt to determine what impact the reform has on a change in criteria for making economic decisions, the subjects were given six different purposes of activity characteristic of both the command system and the parametric system of management. Opinions were expressed acknowledging or denying the use of each of these criteria and pointing out two of them deemed to be most important. The analysis shows that fulfillment of production and sales plans was most often considered to be the most important purpose of activity and the major decisionmaking criterion. Maximization of production volume and insuring growth of the enterprise followed. Profit maximization, which is used by 70 percent of the enterprises, came only as a fourth criterion. Production value maximization as well as payroll and work force fund maximization were considered least important.

The situation changed slightly when the enterprises were asked to point out two (of the suggested six) criteria which they deem most important. The enterprises considered insuring growth of the enterprise and fulfillment of production plans most important. Production volume maximization came next. Only 25 percent of the subjects considered profit maximization or payroll and work force fund maximization most important.

In the second year of the reform implementation, a growing number of signals has been noted showing that food industry enterprises are gradually adapting themselves to the conditions delimited by new systemic solutions. New phenomena appear which may be symptomatic of the impact of the reform on the scope and structure of production as well as on the improvement of management efficiency.

However, this requires further research.

Among the phenomena that can be considered to be the effects of the reform, the following should be mentioned:

--an increase in food processing, but only in these branches which are not limited by severe restrictions on raw materials;



--restoring the correlation between wages and production results, which was broken earlier;

--first symptoms of lesser material consumption per unit;

--first symptoms of improvement of management efficiency, especially by a constant analysis of standards, changes in production structure, and introducing new or modified products;

--achieving a high remunerability rate even when the subsidizing rate was lowered or higher turnover taxes are paid.

The degree of implementation of the reform in the food industry varies among enterprises and the principle of self-financing has been implemented to a much higher degree than the principles of autonomy and self-management. Even greater differences can be noted when comparing the two groups of enterprises. The level of implementation of the reform is particularly low in the milling industry, meat industry, fat industry, and sugar industry. The main factors that hamper the implementation of the reform in food industry in general, and in these branches in particular, are:

--the system of central distribution of raw materials and finished products as well as a rigid system of prices;

--systemic restrictions on payroll fund;

--the fact that the management cadres are too slow in adapting themselves to the new principles of management.

The first step to be taken to weaken the impact of these factors on the implementation of the reform must be to create in enterprises working within the framework of the system of central distribution and standard prices an ever-growing field in which the relations with the outside world and prices are to be based on market relations. This would also help to overcome the lack of belief that the reform can be successfully implemented in these branches.

The diversification of the implementation of the reform in the conditions created by the income tax system leads to a diversification in the financial situation of enterprises, which is very often independent of their management efficiency. The following table illustrates the differences (expressed in percentages) in production profitability in the two groups of food industry enterprises.



<u>Profitability coefficient</u>	<u>Period</u>	<u>Industrial enterprises</u>	
		<u>Group I</u>	<u>Group II</u>
Profit based on processing costs	1982	70.5	85.7
	1983 (plan)	49.5	61.4
	first half of 1983	48.2	104.1
Profit based on total costs	1982	7.6	15.0
	1983 (plan)	5.1	11.4
	first half of 1983	6.4	20.5

The table shows that the enterprises of Group I (meat industry and milling industry) are in a much more difficult financial situation than the enterprises of Group II and that the gap between the two groups is constantly growing because of the principles of calculating production profitability being used and income tax. The gap could be considerably narrower if profitability were calculated on the basis of total costs rather than processing costs, and if the principles of subsidizing food processing were stable. The present situation creates the following dangers:

--the danger of depreciation of durables, especially in the enterprises belonging to Group I;

--the possibility of increasing production results in the enterprises belonging to Group II only by price increases. The data included in the table show that this phenomenon has already been attested in the first half of 1983;

--the danger of weakening the motivation to improve management efficiency in both groups of enterprises.

Another danger for the process of implementation of the reform is the low position of the purposes of activity and criteria appropriate for the parametric system of management. The fact that the enterprises rank fulfillment of production plans or production volume maximization most highly does not create stimuli to develop higher efficiency. Since it may be expected that the opinions of the enterprises about the implementation of the reform and its impact on their activities are based not on reality but on what is expected to be real, evaluations and conclusions based upon the research should be formulated very carefully.

12607

CSO: 2600/716

## REFORM TASK FORCE DEBATE ON ANTITRUST BILL DETAILED

Warsaw ZYCIE GOSPODARCZE in Polish No 12, 18 Mar 84 p 9

[Article by Tomasz Jezioranski: "From the Work of the Economic Reform Commission--An Antitrust Bill"]

[Text] A series of meetings of the secretariat and special task forces of the Economic Reform Commission was launched at the beginning of the year. The last meeting (to date) in this series, held on 28 February, was possibly the most important one. Since the previous meetings had summed up the pluses and minuses of the reform in individual spheres of economic life (foreign trade, domestic trade, investments, and supply--see ZYCIE GOSPODARCZE Nos 10 and 11), this meeting with Task Force 10 dealt with questions of fundamental reform, that is, legal matters.

There were three items on the agenda: adoption of the bill on mixed enterprises (partnerships), adoption of the antitrust bill, and evaluation, very generally speaking, of the legal situation in the area of reform.

## How Much Independence?

Two bills were proposed in the discussion on the first agenda item. The first, on "formation and operation of partnerships with participation by state bodies corporate," was drawn up on behalf of Task Force 10 by a group made up of Dr A. Bierc, Dr A. Burzynski, and Dr L. Stepniak of the State and Law Institute of the Polish Academy of Sciences. The author of the second, on "mixed enterprises," was a judge, Bohdan Zdziennicki of the Ministry of Justice, and at the same time, as was facetiously remarked by the minister, Wladyslaw Baka, "a Task Force 10 dissident" (Dr Zdziennicki holds the position of secretary of this task force).

Both bills have been derived from articles 11 and 14 to 16 of the law on state enterprises, which provide for the possibility of creation by a state enterprise, by way of agreement, of joint enterprises (Article 11), as well as mixed enterprises with a foreign subject (Article 11), as well as mixed enterprises with a foreign subject (Article 14), with a cooperative organization (Article 15), and with a social organization of working people (Article 16). The initial law (on enterprises) provided that the conditions and procedure for establishment of joint enterprises are to be specified by decree of the Council of Ministers, while the conditions of formation

and principles governing the operation of mixed enterprises are to be set forth in statutory regulations.

There have been disputes, primarily over the scope of the law, since the time when the legislative initiative was taken by Task Force 10. Generally speaking, Task Force 10 has adopted the position that the new law should to some extent be fitted into the existing regulations contained in the civil and commercial codes, while Dr Zdiennicki has espoused the view that everything should be regulated from the beginning, since the regulations contained in the civil code are too general and those in the commercial code antiquated.

To persons not familiar with the problem, what I have written may seem to be a purely academic dispute. But in the opinion of specialists it is a question of the approach to understanding the principles of the reform, particularly the principle of independence. It follows from the Task Force 10 viewpoint that an enterprise may make any decisions except those expressly prohibited by law. The position of Dr Zdiennicki, on the other hand, is that it is necessary to impose fairly rigid restrictions on independence in the area of establishment of mixed enterprises. This is the situation put in the simplest terms possible. But the matter is extremely complicated, and so we will discuss its essential features in a separate article. To be complete I must add that the last act of the discussion preceding the resolution was less than forceful. During the presentation of viewpoints Dr Zdziennicki reported that his bill had been favorably reviewed by the Legislative Council. In view of this progress of the legislative procedure, substantive discussion was pointless, and Minister Baka proposed that "the very nature bill be submitted to the government for deliberation."

The situation was different as regards discussion of the antitrust law, although in this case as well the last two bills were up for consideration, one drafted by Dr Irena Wisniewska of Task Force 10 "as the result of cooperation of the two groups," and the other, drawn up at the last moment, by Prof Janusz Goscinski, head of Task Force 2 of the Economic Reform Commission, created to elaborate the policy principles and the antitrust bill. However, a prolonged and fierce dispute on the substance of the issue took place between what we may term the two factions, economists and legal experts, before the two bills were submitted to the secretariat for consideration. The economists, especially the younger ones such as Dr Witold Modzelewski, but Prof Goscinski as well, advocated the maximalist option, while the latter, often seconded by the opinion of the group of practical workers, defended the pragmatic option.

The disputes lasted for more than a year and, however exasperating they were at times to the observer, these disputes were inevitable and possibly fruitful as well. Everyone was treading on previously unexplored ground. Only Yugoslavia and Hungary among the socialist countries have antitrust regulations. But they are very general regulations tailored to the specific local economic situation.

On the other hand, there is very extensive antitrust legislation in effect in the capitalist countries, especially the United States and the Federal Republic of Germany. In effect, the solutions adopted in these countries might be the only sources of inspiration. But I stress the word "inspiration," since too literal a transposition of experience valid elsewhere to our objective situation would create the danger of enactment of a purely formal law. To explain the point at issue with the greatest possible accuracy, I will make use of a so-called protocol of differences, or list of problems representing the essential differences between the two bills. The first of these differences is also associated with the question of the independence of an enterprise and has concerned the list of practices acknowledged by the law to constitute abuse of a dominant position.

Agreement has been reached on what are to be considered such practices: making the signing of a contract contingent on acceptance or performance of conditions or services not connected with the subject of the contract, imposing on a contractor the obligation of exclusive purchase, sale, or other transaction, refusal to sign a contract or its termination without justifiable reason, and limiting production or marketing in order to raise prices.

To this seemingly exhaustive and at the same time well-considered array the economists wanted to add three more items: setting exorbitant prices, neglect of activities of an innovative nature, and raising unit production costs. The legal experts did not agree with this, and on their part tried to have unjustifiable imposition of onerous contract conditions also considered to be abuse of a dominant position, something to which for a change the economists did not agree.

The dispute over this question lasted the longest, possibly from the beginning of the work on the bill. On more than one occasion the practical workers stated quite explicitly that this is largely a dispute over the reform, and that acceptance of the economists' concept would mean elimination of independence from behind, but also with an aura of complete administrative voluntarism. This view was advanced by the legal experts, who pointed out that it would also automatically mean harmful transposition of absolutely unsuitable solutions to our situation. But in these discussions there were more or less subtle differences in the front presented by the economists. Prof Goscinski and Dr Modzelewski tried quite deliberately to keep the sword of Damocles hanging above enterprises, thereby compelling them to take the interests of the market into account. Prof Jan Mujzel, on the other hand, supported their proposals, pointing out that since precisely these practices represent the core of monopolistic abuses throughout the world, they must also be prohibited in our legislation, but the prohibition should be judiciously applied. In this connection Prof Mujzel proposed lessening the severity of sanctions.

However, if I may be permitted to enter a personal observation, I would record the impression that Prof Mujzel (to whom in the absence of Prof Goscinski fell the role of defender of a concept of which he was not the author) was noticeably torn in these discussions. The soul of the born

economist told him he should be for lengthening the list, while experience and sympathy for independence as the foundation of the reform revealed to him the danger of doing so.

The concept of the economists was opposed both by professors Wladyslaw Baka, Aleksander Lukaszewicz, and Marian Struzycski and by the deputy chairman of the State Economic Arbitration Commission, Dr Witold Pawelko. They all asserted that in theory the idea is correct but is unrealistic under our conditions. The "i" was dotted by Docent Grzegorz Domanski, who observed that it is a bad economic law which seeks to replace economic compulsion with legal compulsion.

Following this discussion and the conclusion, Minister Baka approved in its entirety the proposal of the legal experts including acknowledgment of termination of a contract without justifiable grounds to be abuse of a dominating position.

#### Equality One Way or the Other

Another controversy concerned a relatively minor matter, the scope of the law. The economists took the position that the law should apply to all individuals and bodies corporate engaging in economic activities, while the legal experts held that private farmers, craftsmen, and nonsocialized merchants should remain outside the scope of the law. In addition, the economists asserted that the law should not be applied to enterprises subordinate to the Ministry of National Defense, the Ministry of Internal Affairs, the Ministry of Finance, and Ministry of Justice in the area of activities conducted for the needs of these ministries, while the legal experts wanted to place all the activities of the enterprises in question beyond the scope of the law.

The two sides presented interesting arguments. The economists asserted that, since the reform posits equality of the sectors, it would be a highly improper approach to protect one of them. The legal experts, while not of course questioning the idea of equality of rights itself, pointed out that for the time being the reform remains in the sphere of postulates and that it would not be appropriate to embody it precisely in a restrictive law. In addition, they called attention to the fact that conditions for monopoly practices do not exist in agriculture, while the size of craft and trade enterprises precludes attainment of a dominating position, and particularly use of such a position to the detriment of the market.

In the end victory went to the view of the economists supporting the principle that the law should be as complete as possible and provide for different situations, including the possibility of exploitation of a dominant position by merchants and tradesmen in local markets. This is a highly "pro-market" solution. There is no reason why a shopkeeper selling lemons, oranges, bananas, and plums in the marketplace should be discouraged from engaging in this activity in the name of the fight against monopoly of the national economy. The fact that these goods will disappear from the market is a nonessential detail.



A similar train of thought emerged in another question. The economists held that there is no reason to hold this umbrella over, say, an entire button factory subordinate to the Ministry of National Defense merely because this factory mostly produces buttons for uniforms. The legal experts, on the other hand, argued for one thing that limitation of activities for the needs of a ministry even to the marketplace would be extremely difficult in practice, and for another that there should be complete exclusion of linking the antitrust law to the fundamental law on enterprises, which generally does not apply to enterprises subordinate to the Ministry of National Defense, Ministry of Finance, and Ministry of Justice. Minister Baka leaned toward the former view, stressing that we should not create new pretexts for so-called grasping at favorable clauses. Total exclusion would cause many enterprises to try assiduously for special status so as in effect to evade the reform.

Lastly, let us consider the final two of what I consider to be interesting controversial questions. The economists would like to have any agreements concluded by economic agents for the purpose of rationalization of production or marketing to be subject to mandatory registration with an appropriate antitrust agency (we note parenthetically that they recommend the minister prices for this function). The legal experts countered this by asserting that, in the light of the law as a whole, this is wholly needless bureaucratization of the economy. The identical position was taken by Minister Baka, who also called attention to the fact that, as is taught by experience, there is no transmission mechanism between such bureaucratic procedures and practical life.

At the last there was what we may term the dispute over money. The economists, faithful to their own concept of holding the Damoclean sword over the enterprise, proposed that violating the law enterprises be fined from 5 percent of net profit to three times this amount or the loss suffered by a victim of monopolistic practices, or the independent benefit value (all payable out of profit available for distribution).

The legal experts commented that these are excessively restrictive fines. We may not, they argued, create a situation in which violation of the antitrust regulations causes financial failure of an enterprise. How does it help if we harshly punish a monopolist when consumers are even more severely punished by being deprived of a particular product (when an enterprise fails because of a fine exacted from it)? Thus they proposed that the amount of the fines be established as lump sums, with an upper and a lower limit set.

Other participants in the meeting assumed positions similar to that of the legal experts. At the recommendation of Prof A. Lukaszewicz it was decided, however, to reject fines established by law as lump sum amounts in favor of multiples of salary (for fines imposed on directors) and a certain percentage of profits (for fines assessed enterprises).

In all, out of the 12-item protocol of differences, the concept of the legal experts in the group headed by Prof Ludwik Bar was acknowledged to be better

in 8 cases, so that the law has been placed on a firm footing. This is especially important because there is no lack of persons who generally question the logic of passing such a legal act in an economy in which the source of the structures, and accordingly many monopolistic practices, are outside the market.

I will return in a separate article to assess the status of the legal reform.

6115

CSO: 2600/815

## MINISTRY COLLEGIUMS CONFER ON ECONOMIC PLANNING ISSUES

## Mining and Power Industry

Warsaw RZECZPOSPOLITA in Polish 14 Mar 84 p 2

[Article by ZW]

[Text] Current results in the mining and power industry encourage us to be optimistic. The daily output of hard coal is being maintained at a level higher than 630,000 tons (on the 12th of this month, miners extracted 634,750 tons). The power industry is not applying any restrictions, fully satisfying consumers' needs for energy. Coal stocks are adequate as well.

On the 13th of this month, the rate and direction in which mining as well as the energy and gas industries should develop in order to satisfy fully the economy's requirements for fuel and energy in the upcoming years and with an eye to the year 2000 were discussed at a meeting of the Collegium of the Ministry of Mining and Energy.

It was generally agreed that the development of the fuel and energy base should outpace the development of the economy as a whole. Because of investments that are largely capital intensive and time intensive, decisions about undertaking them should be made with a multiyear headstart in mind.

During the course of the meeting, the collegium discussed the proposed prospective plan for the period up to the year 2000, reviewing different variants of the development of the fuel and energy base depending on the economy's rate of development, the anticipated level of national income, investment opportunities, and other conditions.

It is estimated that in the year 2000 the country's need for fuel and energy will come to about 254,000,000 tons of conventional fuel. A similar amount is given in appraisals and expert opinions of the Polish Academy of Sciences, the Main Inspectorate for Energy Management, and the Planning Commission.

It will not be possible to satisfy these needs without putting into effect resolutions which limit the consumption of fuels and energy, and in all areas of the economy, without exception. The rational and economic consumption of fuel and energy must become one of our basic economic canons.

During the meeting, appraisals were made concerning the realization of the program of conservation in all branches of the area in question. The reports are generally favorable. The energy-intensive nature of enterprises in the Ministry of Mining and Energy fell by 3.8 percent, and their material-intensive nature by 2 percent. Within the scope of realizing conservation programs of enterprises received additional production orders valued at about 2,000,000,000 zl and significantly limited imports from payments area II as well. The part played by a scientific research backup group is significant in realizing this program.

#### Housing Construction

Warsaw RZECZPOSPOLITA in Polish 14 Mar 84 p 2

[Article by masz]

[Text] A plenary session of the Sejm devoted to questions of the construction of housing is planned for this April. The organization of the program which will be discussed by the deputies was agreed upon on the 13th of this month at a joint meeting of the administrative staff of the Ministries of Construction and Construction Materials Industry and Administration and Land Management. Ministers Stanislaw Kukuryka and Lt Gen Wlodzimierz Oliwa were the presiding officers.

An improvement in the housing situation will be decided, above all, by a growth in the national income which will permit increasing resources designated for housing construction and a greater than ever investment of financial resources.

In order to overcome the regional problem in construction as soon as possible, the minister of administration and land management obliged the leaders of all the provinces to prepare a regional inventory that could be used for housing construction. A program based on this will be prepared for conducting operations connected with outfitting the regions as well as for proposals of performance capabilities on the part of engineering enterprises.

Conditions for realizing the building plan during the current year, with special consideration given to the supply of materials were discussed as well. In keeping with the principles of the central annual plan, 130,000 apartments are being set up for delivery in socialized housing construction. It was determined that materials would be divided up among individual provinces in proportion to the size of the tasks. All additional quantities of material will be directed toward those provinces in which there will be a possibility of surpassing the plan.

The construction of single-family dwellings can and should have an important share in satisfying society's housing needs. In conjunction with an anticipated increase in its size, especially in small cities, steps will be taken for the purpose of better supplying private investors with materials. The system for technical advice will be expanded.

## Consumer Goods Manufacturing

Warsaw RZECZPOSPOLITA in Polish 14 Mar 84 p 2

[Article by kraj]

[Text] Customers and salespeople are sounding the alarm while the facts, speaking in most guarded terms, are becoming more and more disquieting. In 1983, goods with a total value of 1,073,100,000,000 zl were submitted to quality control, which preceded their introduction to the marketplace. Products valued at more than 21,200,000,000 zl were questioned for not conforming to requirements.

On the whole, of 116 groups of goods examined last year, a growth in the rate of defectiveness occurred in 35. Of 3893 lots of milk products inspected by the PIH [State Trade Inspectorate] 1134 were held back; of 461 lots of shoes as many as 163 appeared to be defective; and of 178 lots of pantyhose and stockings 111 had to be recalled. In the last few months, faulty production has taken on dimensions never before encountered and furthermore, market shortages render this phenomenon more acute. Therefore, ways to stop decisively this flood of shoddy goods and what action to take in order to enforce better production in plants were given some thought at the last meeting of the Presidium of the Collegium of the Ministry of Domestic Trade and Services which took place the 13th of this month.

During the course of the discussion it was noted that in the end we do have a legal mechanism with regard to quality. The time has come now to put into practice the more stringent regulations and provisions. Can this succeed in its entirety? The participants at the meeting demonstrated a good deal of reserve with respect to this question. A push for quality has been in existence for many years, while production plants have already reached their own levels of perfection in avoiding inconvenient instructions. According to some, the injunctions of the minister of trade to buy their products are ineffective.

Effective inspection, it was stipulated at the presidium of the collegium, must bring about a situation where defective lots will in no way be channeled into the marketplace. It is high time, also, to include the banks in the contest for quality--not only the institutional organs but the lending institution as well should be notified of a penalty being imposed in order that the economic mechanism function just as efficiently as the administrative one.

In keeping with Minister Zygmunt Lakomiec's final proposal, by the end of March a specific schedule of activities of trade and the institutions of control which work closely together with it will be prepared. Expanding the list of so-called goods classified according to quality, constraining wasters of raw materials with continuous inspections, observing regulations, and executing large penalties are but a few of the measures undertaken by trade to require good quality and to eliminate, if only in part, shoddy goods from our store shelves.



## ACADEMICS CONFER ON ECONOMIC REFORM TRACK RECORD

Warsaw ZYCIE GOSPODARCZE in Polish No 12, 18 Mar 84 p 8

[Article by A.P.: "Judging Reform"]

[Text] The chairman of the educational council conference Dr Adam Rybarski, when questioned about essential results of the 2-day conventicle, put it more or less this way: "No matter what we say about reform, we just have to do it! Discontent arose in the discussion (in the lectures, too, I might add) with the limitations of reform. The improvements which reform demands can be divided into two groups. One type of improvement has to be introduced in spite of the lack of economic balance. The other type will have to be introduced after regaining that balance. This is how we conceive of the nexus between reform and economic realities..."

The meaning in that statement of fact is not in itself revolutionary, but the desire to uncover revolutionary groundwork was not the bequest of this conference. Rather, its bequest was the intention to evolve scientific reflection on the practical state of institutionalizing reforms. It was not intended to evolve theoretical directives for reformist practices. Such was the aim of the conference and thus was it organized. It was not "closed" so that it was limited only to the scientific community. Rather, it was simultaneously open by means of being addressed to all economic, social and political science research centers in the country, to the universities, to economics institutes and to political-social institutes. Indeed, such was the representation for the 1-2 March meeting this year at the Academy of Economics in Krakow. The conference was entitled: "Social-political and Economic Conditions and Consequences of Economic Reform." The conference met in four workshops considering "Contradictions in the Process of Instituting Economic Reform," "Empirical Evaluation of Industrial Functioning Under Conditions of Reform," "Planning and Commodities Aspects of Economic Reform," "Instruments of Reform and Criteria for Their Evaluation." All the reports of the workshops--and there were 16 of them--arose on a basis of empirical research and theoretical reflection undertaken in the Krakow school. They represented the authorship of its employees. The plenary sessions, however, were given over entirely to the papers of invited guests. Among others, these were: Prof J. Soldaczuk, who spoke on "Economic Reform and Foreign Trade"; Prof W.B. Sztyber, who treated the theme of "Economic Reform and Prices"; and Dr. T. Afeltowicz, [who spoke on] "Legal and Social Implications of Realizing the Idea of Participation in Administration."

The conference, as it appears on the basis of the content and opinions contained in the reports, and in spite of being treated exclusively as a scientific conference, involuntarily went beyond that scientific framework. It strove towards an unplanned goal: working out a single, unequivocal stance in the economic, social and political sciences relating to actual reform practice, its dangers and conditions, and also relating to the idea of the given reform under pressure of variegated objective and non-objective conditions and, in turn, actually creating the deviations, dangers and deformations noted earlier. Consequently, it can probably be said that the conference was its own adjudicator on practices. It took up the defense both of an idea and of the rules emanating from that idea, which are contained in "Directions of Reform."

The tone of the delivered comments, of the arguments presented in them and of the examples and motions suggests itself as basically defending reform against various types of interference and deformation and as seeking solutions which are to prevent interference and deformation. So it cannot be claimed that the tone of those pronouncements was conciliatory in the face of the confluence of the idea of reform and the practice of reform. Prof P. Dyoniziak, who devoted his speech to the development of the bureaucratic apparatus and to its relations to reformist innovation, made, among others, the claim that we have one of the costliest administrative apparatuses governing an economy. It is not even a matter of the army of bureaucrats costing money, but rather of the fact that the more directorships there are, the less capable--under any conditions--is the particular apparatus in question... The same author voiced the opinion that "economic reform will not at all change the structure of production costs, for although in highly developed countries, the costliest element in every product is human labor, in Poland human labor accounts for (this is no mistake!) 1 percent of production costs."

A stream of sarcasm with respect to reform practices was shown in criticism of understanding reform as an aim in and of itself or as a particular aim of individual plants or branches striving to maximize profit by raising prices and neglecting quality. Aside from this trend, there appeared over the course of the conference debate other, both positive and positivistic, trends. They tend to raise the profile of the opposing view, which holds that reform is to be the means by which social needs are to be satisfied. Many reports put forth this thesis indicating, at the same time, how its antithesis works. Even the very titles of these selected reports show the "prosocial" tone of this Krakow conference: "Key Contradictions in the Process of Institutionalizing Economic Reform" (Dr J. Hausner); "Destabilizing Mechanisms of Reform--An Attempt at Improvement" (M. Wozniak); "Seeking the Model of a System for Quality Control in Poland" (Docent M. Skrzypek).

Also expressed--although still based on the fragmentary groundwork of empirical research--are suggestions which stem from the section II reports. Here Prof B. Byrski sought "The First Traces of Reform," Dr M. Pacholski and M. Mytych researched "Reform Consciousness" in an unnamed industrial complex

and Dr Anna Nehring addressed Managing the Human Factor in Industry Under Conditions of Economic Reform." From this research it unequivocally seems that "traces of reform" will not be easily found until reform consciousness has its own visible character among the work forces much as the "management of the human factor."

12512

CSO: 2600/814

## FOREIGN TRADE IN AGRICULTURAL, FOOD PRODUCTS, 1982-1983

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Mar 84 p 2

[Article by Milorad Urosevic: "A Surplus of Four Billion Dinars"]

[Text] The great significance of exports as well as of the entire foreign trade of the Yugoslav economy with the countries of various currency areas, as a condition for beginning to implement the long-term economic stabilization program, has to a great extent brought about increased interest in everything occurring in this area of economic activity. This is understandable, since even the reports from the Federal Institute for Statistics, in addition to the final monthly ones, have become so frequent that on the basis of them, regardless of the transitory nature of the data they contain, they show virtually from day to day everything that crosses the limits, whether in exports or imports.

For the readers of PRIVREDNI PREGLED, on the basis of the latest final data from the Federal Institute for Statistics as contained in the report "Foreign Trade in the Period from January to December 1983," the results achieved were as follows:

## Key:

1) IZVOZ I UVOZ HRANE U 1982. I 1983. GODINI

16) (in millions dinars)

2)	3)	1982.		5)	1983.		7)
		4)	6)		8)	9)	
Privredna grana		Izvoz	Uvoz	Razlika	Izvoz	Uvoz	Razlika
Prehrambena 6)		41.100	22.522	+ 18.581	35.213	30.268	+ 5.045
Industrija							
Industrija	7)	5.853	406	+ 5.447	5.699	293	+ 5.406
Industrija	8)						
stočne		233	328	- 95	199	455	- 256
hrane							
Prerade 9)		8.478	1.022	+ 7.456	7.546	1.211	+ 6.335
duvana							
Razlika 10)		7.547	23.795	- 26.248	18.529	23.957	- 5.418
Vodostvo 11)		2.329	10.053	- 7.724	2.611	9.967	- 7.356
Vodostvo 12)		519	-	+ 519	238	-	+ 238
Vodostvo 13)		6.305	8.628	- 2.323	5.894	4.801	+ 1.093
Razlika 14)		738	1.445	- 706	362	1.599	- 1.037
Ukupno 15)		73.108	78.199	- 5.093	76.999	72.851	+ 4.048
ukupni iznosi 16)		1.153	1.233	- 80	1.208	1.144	- 64

1. Food Imports and Exports in 1982 and 1983
2. Branch of the economy
3. Imports
4. Exports
5. Difference
6. Food industry
7. Beverage industry
8. Livestock feed industry
9. Tobacco processing
10. Farming
11. Fruit production
12. Vineyards
13. Livestock raising
14. Fishing
15. Total
16. Millions of dollars

As can be seen from the table, in 1983 exports reached 76.599 billion dinars, compared to 73.1 billion a year earlier, which means an increase of 5 percent, while imports were reduced from 78.199 billion in 1982 to 72.551 billion last year, from which instead of a deficit of five billion, a modest surplus of four billion dinars was achieved.

Viewed overall, this minimal surplus can only be an encouragement, but by no means a reason for satisfaction, since a country with extremely favorable possibilities for food production like Yugoslavia should by no means act as an importer on the world market. The exception is tropical fruits and coffee which are produced in very small quantities or not at all, because the climate is not favorable for these plants, but importing agricultural products in the value of 24 billion dinars, which is exactly a third of last year's value, as well as 4.8 billion dinars worth of livestock products, does domestic producers no credit, especially since the insufficient mechanization earlier stressed constantly as the reason has now been brought to a level higher than any country in Europe (calculated in the number of hectares per tractor), and the area of the most fertile arable land is growing in proportion to the increase in the number of tractors and other machinery.

Taking all of these elements into account, we should stress once more that the slogan about exporting 2.5 billion dinars worth of food in 1985 is not only no more than a "beautiful wish," but also there is no logical basis for such reasoning. What is the point of exporting one or two billion, whether dinars or dollars, if even more has to be given for importing the same food?

The long-term economic stabilization program can be carried out only if exports considerably greater than imports are achieved in all areas of the economy, and especially in agriculture. For the time being Yugoslav agriculture and the food industry, and the entire agroindustrial complex, are far from this desired goal.

9909

CSO: 2800/267



## PLANS FOR INCREASING INTEREST RATES OUTLINED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Mar 84 p 12

[Text] Belgrade, 29 March. The executive committee of the Association of Yugoslav Banks has established the text of an agreement on new interest rates, on which the commercial banks are to express a position at the beginning of next week. The new interest rates will go into effect on 1 May 1984, and will change in a fixed order until they reach real values, which should be achieved on 1 April 1985.

With the proposed agreement, interest rate policy is in any case being set in a way that is essentially different from the past. The interest rate for nonallocated dinar term deposits from all recipients of social funds and citizens is being set uniformly as a positive interest rate beginning on 1 April 1985. The base for the adjustment of the current interest rate to a positive interest rate is provided by the present size of the interest rate for dinar nonallocated term deposits from citizens, of 12 percent over 3 months. The percentage, the manner, and the time for the adjustment of interest rates to a positive interest rate have been taken from the letter of intent sent to the International Monetary Fund. Likewise, a minimum interest rate has been set for all credits approved from bank funds.

The dates on which the coordination is to take place are 1 May 1984, 1 July 1984, 1 October 1984, 1 January 1985, and 1 April 1985. The coordination will be carried out in such a way that the initial interest rate of 12 percent will always be maintained, from the growth rate achieved in producer prices during the corresponding period, with respect to the same period in the previous year. From this difference, 40 percent will be added to the initial interest rate during the first period, 55 in the second, 70 in the third, 85 in the fourth, and 100 percent in the last.

This means that if the growth rate in producer prices on 31 March 1984 with respect to the same period last year is 55 percent, then it is increased by 1 percent, and from the 56 percent, the existing rate of 12 percent is subtracted, to obtain the difference of 44 percent. The obligation is to have the adjustment of 40 percent of the above-mentioned difference in the first period, i.e. 17.6 percent, rounded off to 18 percent, added to the rate of 12 percent, thus obtaining the new minimum interest rate of 30 percent in the first period.

Specifically, beginning with 1 May 1984, the interest rates for dinar term deposits, assuming that the increase in producer prices will amount to 55 percent, will be 30 percent of the funds deposited for 3 months, 34 percent for over 1 year, and 37 percent for over 2 years. For dinar term deposits not from the economy, the interest rate will be less by half. The active interest rates will be the lowest for priorities, and will amount to a minimum of 19 percent, and 25 percent for agriculture. In regard to the foreign exchange savings of citizens, the agreement does not provide for any changes with respect to the current amounts of the interest rates. The interest rate for deposits (not on sight) will amount to 4 percent for the economy, and 7.5 percent for citizens.

9909

CSO: 2800/267

## DISPUTES OVER EXPORTERS' RIGHTS DESCRIBED

Zagreb START in Serbo-Croatian No 395, 10 Mar 84 pp 34-35

[Article by Mirjana Popovic: "A Conflict of Interests in a Community of Interest"]

[Text] Are "Unis," "Iskra," "Rade Koncar," "Jugobakar," "Trepca" and "Ohris" large systems and complete production entities or not? Do "INA," "Sinad," PK [Agricultural Combine] "Beograd," "IMV" qualify, or does any of the 59 organizations which filed an application with the Yugoslav Community of Interest for Foreign Economic Relations before 25 January of this year to have their status recognized as large business and production systems and on the basis of that status to be allotted a percentage of foreign exchange which they can retain to satisfy their own "socially recognized needs in reproduction"?!

The question undoubtedly deserves an answer (which would be based on all-inclusive analyses), if for no other reason so that we would finally learn in what direction--organizationally, and that necessarily means also with respect to production--our economy is developing, to what extent it is establishing self-management ties (as called for by the Law on Associated Labor) to form authentic reproductive chains on the undivided soil of Yugoslavia and is also included in the international division of labor, and to what extent it is cutting itself off in narrow and local limits and boundaries. But in the assembly (and the assemblies) of the community of interest, which is empowered by law (the Law on Amendments and Supplements to the Law on Foreign Exchange Transactions and Foreign Credit Relations which took effect 1 January 1984) to choose, in collaboration with the Economic Chamber of Yugoslavia, among the many applications from businesses "those forms of association and linkage which constitute large business and production systems"--that question has gone unanswered. Unless, of course, we take as an answer the statements made by the delegations of the republics and provinces on the basis of "intuition," "purely personal opinion" (these are all expressions uttered by members of the assembly, who did not wish for a moment to assume responsibility for committing themselves for or against the applications of the various organizations in the absence of duly adopted criteria). But in that assembly, as in previous ones, we did get answers to many other questions, among which the following are certainly not without importance: How is it that the Yugoslav community of interest, in spite of the marathon meetings, has not managed to set forth the criteria, the yardstick by which--more

precisely than would be possible on the basis of the personal judgments of a group of people--it will be possible to determine whether 1, 10 or all 59 organizations qualify for the status of "large business and production systems"? Why did the delegations of certain republics and provinces endeavor quite clearly and outspokenly to have the entire economy crammed into the general associations of the Economic Chamber of Yugoslavia, while others were unrelenting in the demand that the status of a large system and a comprehensive production entity be granted to the largest possible number of exporters? How is it that the establishment of rights to the distribution of foreign exchange, certainly not for the first time in our recent history, has so aroused opinion that people have begun to pull out of the political arsenal various "isms," which are anything but a sensible basis for an agreement on what is best in these difficult times for Yugoslavia as a whole and thereby for all of its parts?!

### The Chronology of Events

The Assembly of the Yugoslav Community of Interest for Foreign Economic Relations, which is made up of some 10 delegates from each republic and provincial SIJ [self-managing community of interest] for foreign economic relations (each delegation has one vote, decisions are made unanimously, by consensus)--is a place which people come to with differing interests, but also with the task of reconciling those interests, of finding a common solution, even at the price of compromise. They have in fact succeeded in this many times up to now on a great number of the most widely differing issues. But recently there seems to have been less readiness to depart from the positions adopted in the respective assemblies, less desire to seek and find a solution in the middle ground. The most eloquent example of such decision not to relent, at least not far enough to facilitate reconciliation of views, occurred in connection with agreement on the criteria for recognizing the status of a large business and production system.

Here in brief is the train of events which confirms this: Even in the assembly of the community of interest held 23 February of this year it was clear that it is difficult to decide (which means also to write out the justification for the organizations) who qualifies and who does not qualify for the status of a large system unless criteria are first adopted in the community. The members of the assembly differed and entrusted the task to a special working group (representatives of the specialized staff services from all the republic and provincial communities, brought together with representatives of the specialized staff service of the Yugoslav community of interest) to prepare a version of the criteria to be proposed at the next assembly, on 29 February. The working group did draw up a proposal containing alternative solutions at the most debatable places. According to that proposal, all organizations would qualify for the status of a large business and production system in the Yugoslav economic region (which applied for that status) if they met the following criteria: if "with respect to the volume of their output and exports and the volume of their business the organizations of associated labor have Yugoslav importance, regardless of how they are geographically situated," and if "they have concluded one of the self-management accords--on pooling labor and capital, on business and technical cooperation,

on industrial cooperation, on specialization, which has regulated mutual supply of raw materials, production supplies and other products that go into the end product being exported or sold on the domestic market."

These organizations are also required to prove "that in performance of their activity they have ties in their production, technology, operation, business, income or other areas and are interdependent in the flows of goods, services, money, scientific research, and the like, and that they have concluded self-management accords." The condition has also been set that they pursue their interests in carrying on their activity and development "on the basis of coordinated development, operation and production, the organization of certain joint activities or the pooling of capital for investment to develop activities of common interest." But those were not all the conditions. The eye of the needle through which exporters had to pass who desired legal recognition as a large system was also narrowed by several other requirements, among which the organization had to meet at least three (two): that the organizations with mutual ties realized a gross income of at least 15 billion dinars from the production of goods and rendering of services in 1983, that in 1983 they realized at least \$50 (alternative \$50) million from exporting goods or services, at least \$36 million of that (alternative \$30) to the convertible area, that their exports to the convertible area have a share in their total external sales of at least 20 percent, and that the ratio of exports to imports in trade with the convertible area amount to at least 75 percent.

Neither that proposal, nor the 10 or so subvariants offered in the assembly itself was to pass, in spite of the exceptional effort made by certain delegations to find a compromise. Proposals were offered unsuccessfully: that the limit be \$40 million of exports and a 20-percent share in external sales (gross income), \$50 million and 25 percent, or the other way about: \$40 million and 25 percent and \$50 million and 20 percent.... Nor was the version of the criteria adopted which had been proposed by the Macedonian delegation, which favored the strictest version: \$100 million of exports regardless of the proportion in external sales.... Following an exhaustive debate it became clear that the criteria about which each application would be measured could not be reconciled. The result: the decision to debate each organization individually and to vote for or against on the basis of the unrestricted judgment of each delegation.

Thus only a few hours before the period of time required by law expired (on 1 March 1984, under the law, the punitive provision would take effect whereby organizations which had not established self-management links either to form a large system or general associations of the Economic Chamber would lose the right to half of the amount of the foreign exchange to which they would be entitled if they had established ties) the following decision was passed in the assembly: Aside from "Energoinvest" and the business communities of the shipbuilding industry "Iadran-brod" and "Dunav-brod" (on which unanimity had been achieved even earlier), the status of a large business and production system was awarded in addition only to "Iskra," "Rade Koncar" and "Jugobakar."

The Vojvodina Delegation, which was the only one voting against, was given until the next morning to vote in favor of "INA," and the Macedonian



delegation pronounced a firm "no" to awarding the status to "Unis," "INV," "Pliva," "Sipad," the "Trepca" Combine, "Slovenija-papir" and "Gorenje." The next day the Vojvodina delegation joined in the opinion of the others, so that "INA" was included among the large systems, and the decision of the Macedonian delegation was awaited that day and indeed the next day....

#### Disposition of Foreign Exchange

That, to make a long story short, was the chronology of events. It remains to be answered why the community of interest decided to approve only some 10 of the 60 or so applications, and then with the greatest difficulty, why it refused to accept the proposal (first judged to be overrigorous) of the general associations of the Economic Chamber of Yugoslavia to grant the status of large systems to 23 organizations?

The Macedonian delegation gave the shortest, but probably also the most accurate answer: "Had we approved all the applications, there would have been no foreign exchange left for the foreign exchange market!"

Instead of an answer to that assertion, which undoubtedly had the firm computation behind it, it is worth concerning ourselves a bit with the Law on Foreign Exchange Transactions ... and its provisions and the provisions of the Uniform Criteria ... on how rights to foreign exchange are to be granted to organizations linked together to form the general associations of the Economic Chamber of Yugoslavia and how they are to be allocated to organizations which have the status of large business and production systems.

In both cases, that is, regardless of how the organization is linked together, the decision on what percentage of its inflow of foreign exchange the exporter is entitled to keep or how much he is entitled to purchase on the foreign exchange market (if he cannot cover his socially recognized needs in reproduction through his own exports)--is made by the Yugoslav Community of Interest ... in collaboration with the Economic Chamber of Yugoslavia.

The procedure is the same for all organizations: the computation covers exports and imports in the previous 2 years, the growth rate of exports and imports set down in the country's balance of payments and exchange balance for the current year, and the organizations's socially recognized needs in reproduction, which embrace its foreign debts, the need to import raw materials and production supplies, spare parts for current maintenance of equipment, and invisibles necessary for current reproduction. At this point, then, large exporters linked together to form chains in reproduction still would not be able to attain a privileged position. Yet the fears of those who wait for every dollar from the foreign exchange market like bread in a hungry year are not altogether without basis. If that status is granted to a large system, they will declare their needs in reproduction so that they cover all the organizations which make up the chain in the cycle of reproduction, from the "raw materials people" to the "finishing people," and since all of our large exporters (or almost all) are at the same time large importers as well, we can assume that even the largest possible right which they might acquire would not be enough for them: throughout the entire chain to dispose of 45.9

percent of the inflow realized (the difference up to 100 percent is automatically taken away from them to meet the needs of society). But if that organization is linked up in a general association, if the chain in the cycle of reproduction is broken up, then the "finisher" ("relieved of worry" about how his supplier will obtain the imported portion of the end product) will probably be able to cover his direct needs in reproduction with a lower percentage of the inflow of foreign exchange, but his suppliers, each through its own general association (which is a guild "linkage" of shoemakers with shoemakers, chemical manufacturers with chemical manufacturers, shipbuilders with shipbuilders, rather than the production chain of all organizations working on a single product regardless of the branch they belong to)--will go onto the foreign exchange market on the same footing with all other applicants for foreign exchange.

So, we must assume the correctness of the computation of those who say that on the foreign exchange market--if the entire economy were in general associations--there would be several hundred million dollars more (estimates range about 500 or 600). In this they are forgetting (by accident?) that foreign exchange rights to purchase foreign exchange on that same market would also have to be issued by at least that amount, since organizations which in the chain of reproduction have not declared their import needs would have to do so in the general association. And second: under the Law ..., those organizations which are producing for export have priority in the purchase of foreign exchange on the foreign exchange market; that is, those are the organizations in the exporter's chain of production, except that when they are in the general associations, they must every day jump over the administrative hurdles, which cannot be without consequences for production intended for the foreign market. And not only that! If, for example, the organizations linked together in the production chain acquire the right to retain 40 percent of the inflow of foreign exchange they realize, in a self-management accord they can so divide it up among themselves as to meet the most necessary needs of the organizations which are in the chain. The essential thing is that the sum total of their rights not exceed the total amount allocated to them.

Those who suspect the large exporters of having a monopolistic and privileged position in the distribution of foreign exchange are usually thinking of precisely this, of the possibility of "brokering" with foreign exchange within the production chain. Here they are forgetting (intentionally?) that the law states: one organization may renounce a portion of its own foreign exchange on behalf of another (for example, the finisher halts one production operation of his own in order to "free" foreign exchange for a trading partner who is helping him to carry out a more important and more urgent export transaction), but that foreign exchange cannot be transferred, nor given, nor sold to a partner in the production chain.

He must submit the foreign exchange to the foreign exchange market within 2 days, he can relinquish to his trading partner only a portion of his right to foreign exchange (the right to purchase foreign exchange on the foreign exchange market), and that partner will have the same rights on the market as other applicants for foreign exchange. (Incidentally, when it comes to

holding foreign exchange outside circulation on the foreign exchange market, the new law is very firm: if an exporter holds foreign exchange in his account longer than 15 days and does not use it to pay his foreign debts or for needs in reproduction, or if on the other hand he does not sell it to an authorized bank with the right of repurchase, his punishment is loss of the right to credits to prepare production for export, for production intended for export, and to credits for the export transaction itself.)

Obviously the resistance to granting large exporters the status of large business and production systems has no real basis in the mechanism for determination of the rights to foreign exchange or in the mechanism of the circulation of foreign exchange as envisaged by the law. It would be rash to say that the members of the delegations which so fiercely opposed recognition of the status envisaged by law for exporters were not also aware of this (the argument they gave for their position was that they were concerned about the supply of foreign exchange to the foreign exchange market). We must assume, then, that there is still some painful point in the system for circulation of foreign exchange, but it cannot be cured by breaking up the production chains (such as we have), by offering an alternative which turns the clock back.

#### The Painful Point

The commercial banks, the extended arm of the foreign exchange market, are that painful point. That is, it is possible to assume that in a commercial bank (whose members are organizations from a single area), which brings together more exporters than any other bank, it will be easier for those organizations to get their turn who want to exercise their right to import for a production intended for the domestic market, while in another bank which has fewer exporters, even someone who has been working for the export sector will not be able to exercise the right to imports which he has been granted. One can suppose that in a (local) commercial bank the relinquishment of the right to import (the right of the finisher to someone in the production chain)--on the principle "even bankers are only human beings"--could be turned into the relinquishment of foreign exchange. If, however, we break up the production chain because of such possibilities and shatter the right of the economy to form its own links (as envisaged by the constitution and the Law on Associated Labor) in order to promote the socioeconomic relations of socialist self-management, in order to expand and improve the material base of associated labor, in order to augment its own income and the overall income of society, or on behalf of mutual coordination and planning of operations and development, and so on (Article 4 of the Law on Associated Labor), then we are making at least three errors: we will not resolve the question of the "more favorable" position of certain commercial banks even if we thrust the entire economy, without exceptions, into the little administrative boxes of the general associations; we would be attempting to avert the possible "brokering" with foreign exchange in one center through distribution in another center (though even there they are "only human beings"), and most important: we would be breaking up even that bit of associated labor linked together on the basis of income sharing and ties in reproduction which we have, with the excuse that what we have is "enclosed within local and narrow limits."

It therefore sounds symptomatic that the greatest critics of associated labor linked together (in that way) are at the same time the loudest interpreters of the constitution and the Law on Associated Labor to the effect that large business and production systems must be created in a broader area than the limits of the opstinas, the provinces or the republics--and at the same time they have been the greatest advocates of bringing the economy into the general associations, of breaking it up into strings of links of the same kind, though all that holds them together is their competition with one another.

It is no accident whatsoever that nothing like a real analysis has been made to answer the question of how many work organizations received a negative response without any sort of check of the documentation concerning the existence of the production chain on which production, Yugoslav exports, the ability to repay debts, and so on depend. Which is what makes it easy to answer with a brief "no" the "Beograd" Agricultural Combine, which among other things stated in its appeal (and it bears full responsibility for the truthfulness of that assertion) that "... within the system of its internal organization, the SOUR PKB ["Beograd" Agricultural Combine, Complex Organization of Associated Labor], it is a complete system linked together by production and income ...," that "meeting the socially recognized needs in reproduction through eight general associations ... would upset the established self-management relations which are already functioning, and that would figure as an aggravating circumstance in the joint planning of production for export and would impede or even bring to a halt the process of current reproduction in the system."

How to account for the "no" given to the associated machinery manufacturers of Ljubljana, who say that their SOUR [complex organization of associated labor] was built up on the principles of the Law on Associated Labor: "We export through work organizations from throughout the country who are working on capital investment projects, so that the linkage through the broad region of Yugoslavia is clear."

Why a deaf ear to the arguments of "Borovo": "The process of reproduction in the SOUR is organized in such a way that many people are involved in production of the finished product, entities linked to one another in the process of reproduction--basic organizations, which were thus in fact built up so that they would create the finished product through their joint labor, and only in that way.... The attempt to push us into regulating relations within the framework of general associations, into an unfavorable and for us unacceptable relationship and position, is in our opinion untenable and unjustified from the standpoint of society. Whoever is making that kind of decision should bear responsibility for it, especially if there is a decline of exports."

The organizations categorically asserted in some appeals that the way in which they are organized into production chains "could serve as a model for income-sharing and self-management linkage precisely over the broad area of Yugoslavia," so that if for no other reason they ought to be studied for that assertion, to see whether it is what we have set down in all of our legal and other provisions. But the very datum that this kind of "petty detail" did

not bring anyone to perform an analysis, that every exporter's application is being taken up individually in a process that is like bidding, even though all of them together account for half of annual Yugoslav exports to the convertible area, allows us to suspect that we are dealing with something else than excessive concern about the economy developing as an associated economy over the unified space of Yugoslavia" and about breaking up "encapsulations within narrow, local boundaries."

A diagnosis of the kind of tendencies and conceptions which are involved, of the kind of model of "self-management association" of the Yugoslav economy--that would lie outside the limits of this article.

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22 May 1984